





OF CALIFORNIA



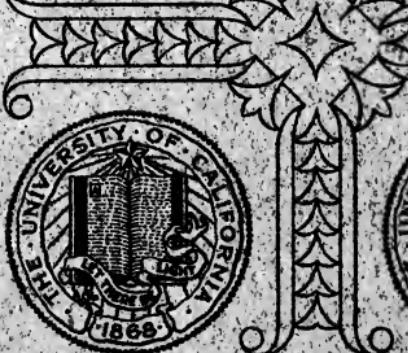
OF CALIFORNIA



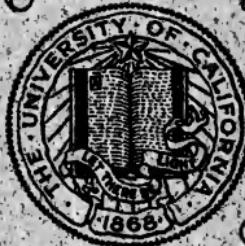
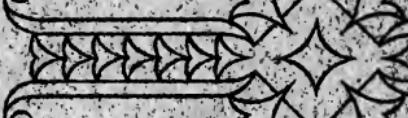
LIBRARY OF THE UNIVERSITY OF CALIFORNIA

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

LIBRARY OF THE UNIVERSITY OF CALIFORNIA



LIBRARY OF THE UNIVERSITY OF CALIFORNIA



LIBRARY OF THE UNIVERSITY OF CALIFORNIA



LIBRARY OF THE UNIVERSITY OF CALIFORNIA

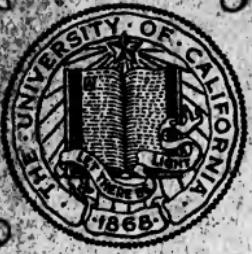




UNIVERSITY OF CALIFORNIA



LIBRARY OF THE UNIVERSITY OF CALIFORNIA



UNIVERSITY OF CALIFORNIA



LIBRARY OF THE UNIVERSITY OF CALIFORNIA





Digitized by the Internet Archive  
in 2007 with funding from  
Microsoft Corporation



LIBRARY  
UNIVERSITY OF  
CALIFORNIA.

## INTRODUCTION.

---

THE following chapters upon such economic and social principles as affect the interests of the time, are mainly devoted to a view of free trade and protection in their economic and social aspects ; but such currency, governmental, and social principles as naturally presented themselves to the author's mind—as they will to the reader's while holding the subject under consideration—have to a certain extent entered into the composition of the work.

Political Economy as a science has not yet attained to perfection. As regards the principles of that science most prominently treated here, who can say that they are settled questions ? The nations of the world are divided in their practice, and where the truth of the theory of free trade is admitted, its adoption is opposed on the ground of inexpediency. Looking at the subject from a point of view that takes in the world and the nations thereof, regarding the question of free exchange in its international as well as its national bearings, and viewing its effects upon humanity at large in its character of a remedial agent, the author of this work would see it

raised if possible above the arena, where circumstances have for the time cast the question of its merits. He would wish to see it considered by the candid and intelligent of this country, and of the world, in a light stronger and purer than that which burns dimly amid the smoke and din of political strife. Believing that with the progress of intelligence and humanity, it has yet to reach a point elevated above the field of combat it has heretofore to some extent occupied, and that its merits will be judged irrespective of party, as they are herein considered, the author has ventured to devote the evenings of a winter month to recording his convictions upon the subject. A belief in the truth of the principles is the sufficient excuse for presenting them to the public.

If the savans of political economy say there is nothing new advanced here—Very well! this is not professedly an elaborate treatise upon political economy; it takes but a few steps within the broad circle of that science which embraces all forms of wealth-producing industry, and all shades of value. If those who have not penetrated to the centre of that circle find something new, or a familiar truth put into a shape that seizes their understanding with a noticeable grasp—Better. If the young, and those who have not before considered the subject, are taught some of the truths they ought to know, and catch the spirit of the truth that lies in *Free Exchange*—Excellently well!

This is not designed to be entirely an abstract theoretical essay ; the principles are combined with their applications, and the effects experience has evolved are referred to as far as the plan of the work will admit ; and, only in their relations and analogies with free trade, are the various branches of the economical science treated. The object has been to popularize the subject, therefore various illustrations have been introduced, and in a discursive style the language has frequently sought to depart from that of dry scientific reasoning.

Viewed in the lights imparted by economical and social science, and the spirit of humanity, free trade is seen to be true economical policy and an efficient ameliorative agent.

Believing its power, if universally adopted, more effective as a sound remedy than has been generally supposed, and that many of the theories afloat upon the subject are false in principle, a few pages have been devoted to the consideration of free trade as a remedial agent, and its comparison with other theories.

It is the custom in many places to listen periodically to certain addresses, and to read certain lengthy brochures treating of the beauties of protection. In these it is the fashion to decry free trade as the especial enemy of the country, and to stigmatize its advocates as demagogues, venal traitors bought up by the loose change of Europe, as hybrids all of knave and fool. From the point of view

in which he regards the subject the author has felt no bitterness, and found no difficulty in cultivating a more charitable disposition towards the advocates of protection. He believes the great majority of them to be sincere in their opinions. There are two kinds of protectionists. A few there are who hug it for its profits, at the same time believing their interests and the public's to be identical—a not uncommon weakness. Besides these, there are a large number who love it solely for the benefits they think it must confer upon their country.

It has been difficult to prevent this work growing under the writer's hand to a size far beyond the limits originally prescribed for it. But, replete as the subject is with matter for investigation, and notwithstanding the tendency to lead the inquirer into the several branches of the economical and social sciences, he has resisted the temptation in order to keep the matter within a compass that may be reached by all ; knowing that the multiplication of small books throws the subject into the hands of a greater number of readers for consideration ; and that, thanks to the genius of our institutions, the readers are now the masses.

If there be found repetitions, the author considers himself absolved from blame for their appearance. So many forms of reasoning in favor of protection, and of objections to free trade, have been advanced, many of them tending to the same end, that in their treatment it has been ne-

cessary to repeat processes of reasoning which were to determine similar conclusions, though starting from positions apparently different.

And, as all who are familiar with the subject will understand, the effects wrought by free trade upon all the elements of production ramify so generally throughout the field of political economy as to embrace most of the principles that constitute the science. Hence, the repetitions attendant upon the tracing of a variety of causes and effects to the fundamental principles, few in number, which govern them, must involve repetitions always accompanying the treatment, upon a scale sufficiently large, of economical questions. All the topics broached, directly and incidentally, are not presumed to be exhausted. If what is said prove to be suggestive, a sufficiently extended aim will have been achieved, and the author will be satisfied, knowing that a few little seeds scattered with the wind often produce much and good fruit.

The subject of free trade as a social remedial, especially calls for general consideration and agitation at this stage of the progress of humanity—this era, that signally seeks to honor the squalid, poverty-stricken laborer, and upon which coming ages will look back as the second manger that cradled the genius of that Humanity born child of the Christianity which eighteen centuries ago drew its first breath among the manger straw of Bethlehem !

In view of a source whence he has derived information embraced herein, it is proper that the author here acknowledge, with thanks, his indebtedness to the members of the first *Congrès des Economistes* of Nations, assembled at Brussels, in 1847, for the pleasure and instruction derived from their able discussions during the several sittings in which he had the honor of participating in their deliberations.

NEW YORK, *December, 1848.*

LIBRARY  
UNIVERSITY OF  
CALIFORNIA.

I.

THE QUESTIONS STATED.

If we were to inquire what is the great problem of this age, the solving of which is occupying the ablest heads and warmest hearts of Christendom, the ready answer would doubtless be, that it is the improvement of the condition of the poorer classes ; that is to say, the more general distribution among them of the products of industry. It would be understood that with this material benefit is conjoined the moral one of a diffused light of intelligence, an element springing from that Sun of Christianity whose rays illumine the moral world. Many measures are doubtless necessary to the realization of so glorious a result.

Upon application of the principles of the economic science, and by reference to the experience of nations as developed in their practice, it is to be seen if *freedom of exchange* is adapted to the promotion of the great result, and if *restriction* operates against its attainment.

What we first require is abundance of production. That without abundant products the poor must be deprived of any very considerable proportion for their consumption, is evident. It is then necessary to consider first, if unrestricted exchange promotes abundant production. The advocates of free exchange say it does. But it may be

said that abundant production is not sufficient ; that improved distribution of the reward of industry is also necessary. It will be seen that improved distribution is a natural consequence of abundance, and, provided restriction in its various forms of injustice does not interpose, is inevitable. Here we have the logical statement of the question of amelioration—the social view. The error of many, perhaps less true economists than ardent reformers, is that they place abundant production and improved distribution as separate corollaries, distinct results ; and think they must build up the latter system by some theory of social bearing that is miraculously to solve the great problem of the division of labor's reward, the problem to which these theories owe their existence.

In connexion with the foregoing, it naturally and necessarily falls in the inquirer's way to consider the subject of free exchange in its general effect upon the international relations of all nations ; and in its national effects upon each country distinctly. Both of these questions are inseparably connected and interwoven with the nature of the question, as to the bearing of free exchange socially upon the industrial population of a country in ameliorating their condition ; the loftiest, the noblest end towards which freedom in trade addresses itself.

Free exchange is freedom of international commerce ; the liberty for an individual of any nation to purchase or sell of or to any individual of any other nation, without the governments of those nations interfering in the exchange. The question is not merely to learn if an import duty of thirty per cent. will augment the price of an article thirty per cent. It is to learn if free trade between two nations is always advantageous to the two. The advocates of

free trade say it is so. It is also to know if free trade can be advantageous to one nation and injurious to the other. The opponents of free exchange say it can be. This presents the logical statement of the economic question of the national and international relations of unrestricted exchanges.

In urging the affirmative to the latter question, opposition is principally kept up on the ground of necessity for protection to home industry, that a nation may produce certain articles within itself instead of purchasing them of foreign nations, and retain the purchase money at home to put into the pockets of its own people, who are thus by the labor that creates all wealth to enrich themselves, instead of permitting other countries to grow wealthy by producing those articles the purchasing people must needs consume. To aid their efforts and emphasize their watch-word of encouragement to home industry, those advocates of such protection, thence called protectionists, have an ally in the national *amour propre* which patriotically jumps in unison with the sound. This specious reasoning, false as it is, deceives even in this enlightened age thousands of the patriotic and talented of this and other countries. Therefore tariffs with so high a rate of duties as to protect the home producer, are still maintained. *Protect, maintained!* when some one, or some class is protected, it is at a cost, and some one, or some class, maintains the cost. Who is protected, and who pays the cost? Pertinent questions, which it behoves every man to ask, and of which he should seek the solution in sober earnestness and with candid zeal.

It will be demonstrated that the protected are a few individual producing capitalists, and that the expense is

borne by millions of consumers. The abolishing of protection is then the adoption of freedom in trade; and the abundance which freedom of exchange promotes is advancing the interests of all consumers of commodities, every individual that eats of food and wears of garments; the few producing capitalists only in accumulated fortunes gaining more by protection than they would by freedom of exchange. Protection displaces wealth, it does not expand and multiply it. Producers not specially protected lose by protection.

There is a natural value for all products, which is determined by the cost of production, as made up of the profits of capital and the wages of labor, and, to a certain extent, of the rent of land. Any legal impositions which effect an increase of value above this make so much of the value artificial. A rise in the value of certain products is always in a ratio with a corresponding depreciation in the value of some other products, because value is a relative thing, and the value of one article is determined by the relative quantity of other articles it will procure. There cannot be a general rise in the value of all commodities at once, although there may be in the money price. As an offset to the benefit accruing to the producers of the protected articles, there must be a damage to the producers of all others.

Restrictive laws, limiting quantity, operate immediately through demand and supply to raise the value. Also, ultimately through enhanced cost of production, the effect of the increased value, they operate to raise the value of the subsequently produced articles. And this ultimate effect, like the immediate, operates inversely upon the producers of all non-protected articles to their injury.

The fallacy that has blinded men is the apparently simple truth contained in a theory, that directly to foster special production must promote general abundance, and assist labor. This is plausible, for it seems, at first view, as if abundance being an immediate effect of production, the true principle must be to encourage that cause, to protect the producer, and the result of abundance would be directly and simply attained.

The advocates of protection have here had a great advantage, as the immediate effect is much more palpable than the ultimate. And all persons would not go beyond the forms and phrases, and seek the elementary facts ; trace back the question upon the path of inquiry, go behind this theory of directly fostering the production immediately around them, and inquire what policy is truly calculated to promote the general production the world is capable of affording ; and thence seek to know whose benefit is to be sought and is achieved by the abundance following upon improved quantity being produced.

The mass of those favoring protection have been deceived by the plausible theory, and it is only necessary that they be made to understand how fallacious is this apparently simple truth, in order to effect a change of sentiment and action.

Yet so impossible is it to carry out a wrong principle in practice without its contradicting itself, that protectionists, with the inconsistent blindness that pertains to error, have denied themselves in practice, and shifted ground entirely by assuming the position, that protection does *not* increase supply. This they do when they say, remove protection, and we shall be inundated with the foreign

article, and our manufacturers, unable to compete on equal terms with foreign labor, will be prostrated.

Grant this, and the effect would simply be, that a certain quantity of labor would become free from the channel into which it had been artificially forced, and return to its original natural bias, in which direction it would be employed most profitably. If labor be left to its natural operation, without the imposition of unnatural restrictions, the natural course of production will yield abundance, when cheapness will ensue. But if protected, in accordance with the wishes of each of the various producers of iron, cotton, woollen, and other manufactures around the circle of production, the supply is diminished and prices raised.

Cuba has a hot climate, a necessary element to the growth of pineapples, and produces them, with the aid of this natural advantage, so that they are imported and profitably sold in the New York market for one dollar the dozen. A company of individuals here conceive the idea of entering into the business of producing pineapples. They build extensive hothouses, with a large outlay of capital, in order artificially to obtain from the rays of our northern sun that heat which he furnishes gratuitously in Cuba. Of course the capital invested must yield an interest, or the company cannot sustain itself. In order to make the business pay, the producers must get five dollars per dozen for their pineapples, and they ask the government to levy a duty of four dollars per dozen on imported pineapples, to protect them in their production. It is done; and pineapples, that before were to be bought for one dollar per dozen, are not now to be had for less than five. Thou-

sands who had previously indulged in the luxury of this delicious fruit are now unable to afford its use. The consumption is reduced to a mere fraction of its former amount, and scarcity of the article prevails where before was abundance.

This is the precise operation of the protective tariff upon all commodities. Substitute coffee and tea for the supposed pineapples, and the effect is the same. But how much more painfully would a people feel the effect of the deprivation of these, as they have become, necessities of life! Such is its daily operation upon the various necessities of cloths, hardware, and a thousand articles of daily consumption, imported from abroad and made at home, and sold to the population of consumers at a price enhanced, though not fourfold as in the supposed case of the pineapples, yet to a greatly advanced cost to them, in proportion as they are now even under a low tariff protected by our 25, 30, 40, and 100 per cent. duties.

Protection is the hothouse growth—freedom of exchange the natural production.

Both systems have their supporters.

What is the key to unlock the truth that lies within the science of industry? Consumption!

LIBRARY

UNIVERSITY OF

CALIFORNIA.

## II.

### CONSUMPTION.

THERE are given to man three agents, from the combined action of which, all of man's production has birth. These are Land, Capital, and Labor. Land, the natural agent, yields rent; Capital, the acquired agent, yields profit; and Labor, the active agent, yields wages.

These three agents of Land, Capital, and Labor, operate in producing three results. These are Production, Exchange, and Consumption.

These three, then, are the elements of man's action, and it is always in the medium of these elements that he must develope himself. Of these, one is original, one intermediary, and the third final. There must be cause, action, and result. These three are all; no other elements exist in keeping up the physical life of man.

Production is the cause, exchange the action, and consumption the effect, the end, and the object; it is what sustains the life of man; and as every effect assumes the nature of a cause, this repropels new effort.

Man therefore produces in order to consume; and consumes to his enjoyment and development in due proportion to the extent of the exchanges; because the

world has varied natural advantages for furnishing variety of production, ministering to a variety of wants.

*Production, Exchange, Consumption*, is the industrial formula.

Man labors in order to consume. Consumption being the object, it is the interest of the consumer that the economist should study to promote. Production is the means; if he limits his view to the means, his exertions to its promotion, without looking forward to the end, he may come very far short of a wise action.

Looking then to the interest of the consumer, what enhances prices to him? The labor of production, the carriage, the profits of the capital employed, and the duty or tax. These are all equally his antagonists, they all stand in the way of his attaining wealth, education, all enjoyments physical and mental. In proportion as he succeeds in overcoming them, his enjoyments are multiplied; and therefore man is ever striving against them.

He strives successfully against the labor of production, the first antagonist named, and he is benefited by his success. Suppose the agriculturists of a country have as yet no other means of tilling the soil than by the spade. After a time, however, the instrument called a plough is invented. With this machine and a horse one man can perform as much labor of cultivation as was before done by four men with the spade. Then the production is more than doubled in proportion to the labor. This antagonist is so far overcome, and whereas before he could only during the season of growing vegetation cultivate the potatoes necessary to his consumption, he can now add a field of corn, and thence he rejoices in the addition of

another dish to his table, an additional necessary of life is brought within his reach.

The next antagonist to vanquish is the carriage, or transportation. The plough has benefited others as well as himself. A surplus of corn can be spared to be exchanged with an individual of a neighboring country for a coat. This neighbor enjoys advantages peculiar to this fabrication for making coats that our man who enjoys his plough does not, and *vice versa* of his corn.

A third individual plies with help of another a two-oared boat that navigates a stream, upon whose banks, though at a distance, both the man of corn and the man of coats live. He goes back and forth, and carries their commodities for each, charging them a certain sum therefor. Soon he invents a sail, and then finds he can perform his voyages without the assistant, the wind doing the propelling, for which he depended previously upon the oars. The cost of carriage, therefore, is reduced to him, and thence after a short time to the men of coats and corn, for if he does not lower his price the owner of another boat, having assumed the sail, enters into competition with him and forces him to the reduction. The man of corn, getting his coats cheaper, can now afford to add a vest. And again he rejoices in the consumer's victory over his natural antagonist.

The next with which he contends is the profits of the man of coats and the man of boats. With the latter he has already succeeded to the extent of the gain of the sail, and conquered monopoly. His trade with them has increased so largely, with his growing family, that he believes they can afford to labor for smaller profits, and

will make up in quantity what is reduced in rate. He is convinced of it when others are ready to enter into competition with these, and if it can be done by any one for less, he effects the gain of a reduction, and again rejoices in a victory.

But another enemy appears upon the field, and he must still contend with opposition. A power holds sovereign sway over the country, and wants a revenue to enable it to protect its subjects. Upon the line of division between the countries of the men of coats and corn, and on the bank of the stream, it builds a fort and plants a battery; and whenever the man of boats passes with his freight, under penalty of a destructive broadside, he must deposit a sum of money equivalent to one-tenth the value of the commodities. It is added of course to their cost to the man of corn. He likes not taxes, but as he loves his country and is conscious of the protection afforded him by her laws, he pays. • But a neighbor has a fancy to make coats, and being unable to do so as cheaply as the original man of coats, he comes to the conclusion that if he can get the sovereign power to force the man of corn to pay one-fourth more than heretofore for his coats, he will then be able to sell of his, as at that enhanced price or one a little lower he can make and sell for a large profit, and thus grow rich off the necessities of the man of corn, who must consume more or less of clothing annually. The sovereign power grants his request, arbitrarily unjust as it may seem and is, and effects the purpose by adding to the duty and exacting a tariff tax more than doubled. The sovereign power is no gainer, however, for the quantity that comes in is much less, and the revenue is perhaps even reduced

in total amount. Commodities diminish instead of growing more abundant, as they had been previously.

Will the man of corn, the consumer, now cut off from enjoying his full amount of raiment, and obliged to pay an enhanced price for what he uses, succeed in defeating this new and formidable antagonist? We know not, but we pray for his success, and ask it in the name of Justice.

The same proceedings in all their steps, all these contests, have transpired with the man of coats as well as with the man of corn. A double victory, or a double defeat, is therefore to be achieved. And these men of corn and coats represent each the millions of their kind with which each country is teeming—the consuming millions—represent *consumption*.

We may readily see that it is not the producer, but the consumer, nature seeks to benefit: that upon the latter determine all the beneficial effects of all nature's gifts and of man's labor. We may trace the operation of this law in the illustration furnished by the invention of the sail by the man of boats, who was at first enabled to make greater profits, because of the reduction of labor it effected. This continued so long as he could get the same high price for his transportation. So long he, the producer, was the profited; but soon *competition* stepped in to play its part, and he must reduce his prices, and receive payment for his labor only; from that moment the benefit of the invention began to enure to the men of corn and of coats—the *consumers*. This gift of providence, the river, this result of man's labor and skill, the sail, have subserved their purpose decreed by the Divine Wisdom, and, through the agency of competition, they have become the gratuitous enjoyments of

the consuming numbers, and are not retained for the benefit of a producing class. They have effected *cheapness*, the certain result of labor and competition.

But if the agency of competition is excluded from the field of man's action, the result of his labor would not be cheapness, that dissemination of enjoyments among the consuming numbers.

Ah ! this fourth antagonist, what is the part he plays in the great game of labor striving to achieve cheapness ?

Had the man of boats sought and gained *protection* in the enactment of a law by the sovereign power that should lay a heavy tax on all the labor of navigation, attempted to be performed by others who would fain enter into competition with him, like to the tax imposed upon the products of the labor of the foreign man of coats to protect the domestic man of coats, there would have been no competition in the transportation, and no consequent gain of cheapness to the men of coats and corn. The rejoicings over that third victory would never have transpired.

We now see that the business of this fourth antagonist is to keep off competition, and to withhold it from stepping in between production and consumption to benefit the latter. This dire antagonist operates always against the law of Divine Wisdom, counteracting the operation of the law establishing the tendency of all the results of labor to percolate throughout the entire domain of consumption.

Again we will pray for success, and this time in the name of the Divine Law !

All of the antagonists stand in the way of abundance, which, if encouraged, as we have seen, by their defeat, promotes an exchange between countries of their increased

productions, adding new comforts and luxuries. Each country acquires, assumes, with the victory over these antagonists, the advantages the other enjoys through its peculiarity of climate, population, soil, &c., diminished only by the cost of transportation. There is a distribution of the natural advantages possessed by all, and a general *equalization*, provided always that the last antagonist be subdued as completely as the others ; and to the advantages and disadvantages, the benefits and evils of victory or defeat, in the contest with this enemy of consumption, we shall address ourselves. Victory is *Free Trade*, defeat is *Protection*.

What are the gains of victory ? and what the losses of defeat !

Meantime we will transport ourselves to the sandy plains of Egypt. Seeking to behold its mighty works of art, we find the lofty pyramid of Gizeh submerged, its apex only visible above the dark and slimy waters of the overflowing Nile. Soon the receding waters leave exposed to view a constantly enlarging base, receiving their deposits, and upon which we see increasing numbers of minute and active insects that thickly people its sides, expanding with each recession of the waters towards the pyramid's broad base. Society is like this pyramid ; the reduction of a tariff brings the commodities on which it has been levied within the reach of greater numbers of those occupying lower positions on the pyramid, whose numbers, increasing rapidly with the descent, augment consumption in a ratio with the receding waters of the commodity-laden tariff.

### III.

#### C A P I T A L.

IN order to understand more clearly the value of the objections urged against free trade, it is necessary to review the economical principles immediately governing the action of the three agents of production, so far as they are connected with the operations of free trade.

The agent Capital induces the production of commodities. It is falsely supposed that to protect a country's manufactures is a means of increasing its capital, of strengthening the productive power of its labor. Capital regulates the amount of labor; there will be no more labor than there is capital to employ, since labor subsists on the capital already produced and accumulated. Therefore there can be no more industrial effort engaged in production than there is capital to supply it with materials, instruments, and support. Yet in disregard of a fact so evident, says Mr. Mill, "it long continued to be believed that laws and governments, without creating capital, could create industry. Not by making the people more laborious, or increasing the efficiency of their labor; these are objects to which the government can in some degree contribute. But when the people already worked as hard and as skilfully as they could be made to do, it was still

thought that the government, without providing additional funds, could create additional employment. A government would, by prohibitory laws, put a stop to the importation of some commodity, and when by this it had caused the commodity to be produced at home, it would plume itself upon having enriched the country with a new branch of industry, would parade in statistical tables the amount of produce yielded and labor employed in the production, and take credit for the whole of this as a gain to the country, obtained through the prohibitory law. Although this sort of political arithmetic has fallen a little into discredit in England, it still flourishes in the nations of continental Europe!" And I regret to say is a cherished object of governmental policy with a large number of American economists.

The enlarged product of the joint exertions of labor and capital is devoted to two purposes. A portion, consisting of the accumulations, being added to capital, and the remainder, save what goes to account of rent and taxes, consumed in feeding and clothing labor, providing instruments and supplying their wear and tear, furnishing labor with the fuel—after Lieber, who considers the food sustaining the body as fuel consumed in keeping up the principle of life—which feeds new production. As far as abstinence is practised and the product left unconsumed, capital accrues, and though to abstain from the enjoyment is contrary to instinct, yet, being necessary to existence, it will be practised, and capital will continue generally to increase without limitation, the rate of increase being governed by facilities and intellectual progress.

Perhaps it would be more strictly correct to say that

capital is devoted to one sole purpose, consumption. This consumption is of two kinds, productive and unproductive. The first is the food-fuel, that feeds reproduced life ; the last the fuel which is consumed in the flame that leaves naught but smoke and ashes. The first, the accumulated surplusage over the consumption that transpired in the production obtained, must in turn be consumed next season or soon thereafter, if it is not this ; and therefore these gains of abstinence are short lived, but they leave a progeny enlarged in progressive proportion to their own bulk. Capital, then, is produce devoted, when properly appropriated, to reproducing itself.

It consists of both the consumable commodities composing circulating capital, and of the more permanent improvements, such as railways, canals, fences, machinery, buildings, &c., constituting fixed capital. The employment of industry in production is more especially advanced by the increase of the circulating than of the fixed capital ; nevertheless, the latter does finally add to, and greatly augment industrial action, through enhanced cheapness effected by the use of the machinery, improved transportation, &c., increasing consumption, and calling for additional industrial effort to meet the growing demands of enlarged consumption.

In calling for new industrial effort capital is the immediate antecedent of industry, but the direction of the effort indicating what shall be produced is determined by the demand of consumption, for whose sake all the joint action of capital and effort is undertaken ; and in turn the existence of this capital is consequent upon that demand opening markets, and thereby inciting production and a saving between the amount of products and of consump-

tion, in order to gain more capital for further profitable employment of labor in producing for the enlarged markets of increasing consumption.

The employment of industry, therefore, being immediately and effectively advanced by the increase of circulating capital, it is apparent that whatever facilitates such circulation, and adds to the sum of such capital, is advantageous. If there was no exchange of commodities, nor any money, the value of labor would be the same, capital being equal in both cases. But exchange operates to increase capital through the opening of markets stimulating industry to production, and enabling it to act most effectually in consequence of each country producing that it is qualified to produce cheapest, and the increase is a sound and permanent production. The cost of subsistence is lessened, a wider margin is left for accumulation, and capital augments.

The introduction of a facility of production, a cheapening agent, increases the *sum* of capital and the *sum* of profits, the *rate* remaining as before. The gross sum of wages is increased, which prevents the rate of profits from rising. Labor gains through the sum of exertion it expends bringing an enlarged sum of wages. Hence the consequence of the increased production afforded by a facility is improved distribution. Certainly *all* consumers profit, but it seems to be necessary that the rich be permitted to add to their luxuries if an equivalent addition of necessities falls to the lot of the poor. The inducement to accumulate, which increase of means generates, will cause wealth to add to its capital in order to work new mines of production, and this increase of employing capital is for labor's benefit. Consequently the profitable use

will tend to add more largely to the necessities of poverty than the luxuries of wealth. This inducement is also natural to the poorer classes, and when the most urgent wants are supplied there is a certain point beyond which they will begin to accumulate and form capital of their own.

*Consumption produces.* It does not follow, therefore, because capital is the immediate cause of production, that it is not consumption to which we should look in seeking for a cause operating to effect increase of wealth and enjoyments for mankind. It is still consumption that holds in its grasp the motive power to industry, and whatever measures of governmental policy, whatever improvements of machinery tend to bring within the reach of larger consuming numbers additional quantities of commodities, are increasing capital and its power to employ industry. The additional commodities are themselves additional wealth for the time, in the hands of the people ; of each article some will consume all, some save a portion, or its equivalent, in some form ; some consume unproductively, and some productively. The greater the quantity of consumable commodities in their possession, the more of saving must ensue, as well as more of enjoyments in consuming.

In the United States, although the spirit of accumulation is active, and capital is increasing, the counter agency of abundant fertile land, relatively large in proportion to the population, furnishing increasing supply of food, without the necessity of employing additional labor upon a given amount of land, keeps nearly even pace with them, and prevents profits and interest from falling to a very low rate. Yet there is a constant approximation towards the

point when excessive population and occupied lands fit for cultivation shall meet, when increased labor must be employed to the acre in order to produce additional returns beyond those obtained at present, which will then be insufficient. The space between the counteracting agencies is narrowing, even in this country, although the great amount of unoccupied land renders the movement imperceptible. Whether the point of meeting ever be reached or not, improvements in production, including all natural facilities, should be permitted to lend all their aid to the cause of profits and wages, to keep up the producing and remunerating power of capital relatively to its amount, and in order that the foundations already laid for a high standard of habits and acquirements in the people, may not be impaired. If these be cultivated in equal progression with the approach of the future time of land's absorption by excessive population covering its quantity and capacity, they check its advance to prevent the stationary state not only from being reached, but being neared, until the requirements of all the people shall have become permanently habituated to a high degree of physical, intellectual, and moral acquisition or attainments.

It appears that capital and labor (which is the growth of population) are, under the progressive operation of the production and consumption which are so materially assisted by improvements in physics, subject in themselves to no limitation; but so long as land will yield sufficient produce for constantly increasing consumption, these two agents of production will never cease augmenting their forces.

LIBRARY  
UNIVERSITY OF  
CALIFORNIA.

IV.

LAND.

How does free trade affect land, the natural agent of production ?

The limit of production falling finally upon land—capital and labor being capable of indefinite extension—it is essential that the capacity of land should be assisted in its development, in order that supplies for sustaining increasing population may increase in a ratio sufficiently great to advance further, and still further forward, the time when population may have so far attained to a numerical force as to excel the capacity of land for producing food ; in which event a necessary reduction of mouths would ensue through the agency of famine.

Free trade would assist such development in bringing together the nations, through the incitement of the markets afforded by each to each ; and causing the effectual development by each of its own most hidden and distant resources, in reclaiming wastes, and improving its methods of cultivation. And not alone, each nation within its own borders ; through the probing effected by commerce, regions remaining otherwise unexplored and undeveloped, would, by other nations, be colonized, reclaimed, and improved. These effects of free trade would operate until, like the

Pays de Waes in Flanders, an originally barren soil, they would become the most productive.

A gain is achieved in the free introduction of articles of food into other countries than those in which they can be produced, and which can be produced from land in one country and transported to another, cheaper than the articles of food previously cultivated and consumed in the importing country. The demand for the foreign consumption, added to that for domestic, stimulates to enlarged production calling for improved cultivation ; and the cheaper article of food soon supplies the place in several countries of a previously used dearer one. In this case land has received a new development, and the period of conjunction between consumption of food and land's capacity for production, supposing it to have been approached, is postponed. We are now witnessing the working of this process in the introduction of our Indian corn into Great Britain, where it cannot be grown, and is supplanting, to a certain extent, the use of wheat.

The improvements in preparing soils, in instruments of husbandry, all of which are advanced by the cheapening of commodities, and of the cost of these implements, &c., effect an increase of development from the land. These, and the improvements in roads and means of getting agricultural produce to market, are cheapening processes to which free trade is analogous ; and it is therefore directly instrumental in increasing the production from a given amount of land. A single reference to the chapter on consumption, and to the contrary effects of the imposition of the protective duty, and the application of the sail experienced by the men of corn and coats, will suffice.

In effecting a more general division of property, an

equalization that cuts down, or rather prevents the growth of the large fortunes and estates that protection fosters, free trade assists in bringing the cultivation of land under the dominion of smaller proprietorships, which effects a greater proportion of production to the labor expended, than is achieved under the larger.

By the increase, through the introduction of a new facility of production, of the sum of consumable commodities distributed throughout the community, increasing the totals of capital, profits (though not the rate of profits), and wages, land, capital, and labor all are benefited. But the improvements, so far as they facilitate the production of food, effect a reduction of *rent*. Upon the whole, the gain lies with only capital and labor, in their capacity of producers—with capital in gross, and not in rate, and with labor in both gross sum and rate—but all, including land, gain as consumers. Here we have the economical theorem, which is at the root of the confusion of ideas prevalent in this country, upon the subject of free trade. In the United States, the facility of abundant fertile lands operates economically in the same manner as a reduction of the tariff. Both lower rent, the gain of the monopoly of land ownership in the previously cultivated sections. It is probably an apprehension, more or less distinct, of the fact that these are co-operating facilities, leading to the conclusion that the abundance of land (upon which the producing laborer is usually settled as landlord, relieving productions of a call for rent) is sufficient for the food producing branch of our economical policy, without the addition of the profit of another facility, that causes many, looking around upon our bounteous harvests, to seize upon an assertion that we already produce more food than we

can consume or sell, and use it as an argument against free trade. It is true that we produce more than we can consume ; but the premiss, as far as it denies our ability to sell all we produce, can be disproved. In England, the population increases at the rate of a thousand per day. The production of food progresses very slowly, the industrial development being principally in manufactures. There are no statistics of the amount of food produced, and, therefore, in order to determine what is the increase of the consumption over production, it is necessary to compare the quantities imported with the range of harvests for series of years, from which may be drawn conclusions respecting the probable future demand.

The year 1841 had been immediately preceded in Great Britain by three years of short, and one of barely average crops. In that year the imports of grain were 3,258,698 qrs., and 1,275,656 cwt. of flour. The year 1848 was preceded by the good crops of 1847, and the imports for the eight months to Sept. 5th, were 3,193,928 qrs. of grain, and 643,192 cwt. of flour. As much, and 50 per cent. more, is now required for consumption beyond the production than was required seven years ago, as the difference between the production in a season of short, and in one of abundant crops. In a season of short crops, the demand for consumption was over three millions of quarters more than the production of the country ; now the excess is over four millions. Three millions having been then, in 1841, all that a short crop lacked of meeting the demand of consumption, a full crop would have about met the demand, as appears by the fact that the last preceding abundant year of 1836, the importation was about 800,000 qrs. The increase of the demand for con-

sumption over the production for seven years past has therefore been the full amount, less 800,000 qrs., of the importation in 1848, which is about three and a half millions of quarters. This is equal to an average increase of consumption over production of half a million quarters of grain per annum. Upon the past gain of consumption outstripping her production, may be predicated calculations of a future progression of gain, growing out of the increase of population, and the free trade measures, which turn the industry of Great Britain into manufacturing channels—much of it in working our raw cotton—where there is a wider field for expansion than in agriculture, her limited acres and dense population allowing but little or no margin for additional employment of her abundant capital, and for increased production in that branch of industry.

The loss of the potatoe as an article of food, which appears to be the probable ultimate result, and the substitution of our corn is to increase the demand upon this country. The price of wheat in 1828 was sixty shillings, with a scarce crop; in 1847, eighty-three shillings; the rise following two successive years of failure in the potatoe crop. Indeed, upon the whole, it appears that Great Britain is much further behind the point of feeding her population, by the production of her agriculture, than she was twenty years since; and that the annually increasing population of England, as it has done for a series of years, will continue to demand an annually increasing supply of imported food. The ignorance, the inefficiency of their labor, and the non-existence of the most superior agricultural improvements, and the incompetency to gain or apply them, must keep the corn exporting countries of Poland, Russia, and Hungary, for centuries to come behind this country, where the pro-

ducers are exempt from rent and taxes, have superior facilities and intelligence, in the ability to furnish the supplies demanded. Our population increases rapidly, as much so as our capital ; and the margin is scarcely wide enough between the growth of capital and that of a consuming population treading upon its heels, to allow of this country so far developing the resources of its almost boundless fields, as to furnish the supply of food called for by existing demand from abroad, and by the growth of demand ready to respond in terms of acceptance to a vastly enlarging supply. Capital may be aided to keep in advance of population, by the reinforcement of capital from abroad, where, profits tending fast to a minimum—interest being, where no risk exists, but three to two per cent.—it is ready to emigrate to regions more favorable to its employment. Under no policy can this immigration of the capital necessary to accomplish the development, be favored so properly as under a system of free exchange, which enables both to furnish that which they can produce cheapest, and directly furnishes the exportable article desired abroad, and brings in return the capital, there overflowing the channels of production, to effect the production of the article here. The importation of such capital is needed here where land is abundant and industry active, and both are calling for the introduction and accumulation of capital to develop immense resources. If we do not restrict our importations, and do thereby enlarge our exportations, Great Britain will be forced to send her capital here in order to assist us in growing food for her increasing population, now outstripping each succeeding year by a greater advance, the food producing power of her soil.

We may here remark that it is the wrong policy protectionists would adopt; they seek the inefficient means to keep out the influx of the (by them) much dreaded European pauper population: It is not her people that Great Britain must send us under free trade, but her capital. It is under the restrictive regime that she must export her paupers in order that they may be fed here. Under free trade they will be fed at home by the produce of capital sent here in exchange for our products.

In the preceding chapter it was said that capital and land, which last agent is here analogous to improvements in production and increased supplies, are in this country approximating to the point of meeting when interest shall be at a minimum, and we recommended the adoption of facilities that have a tendency to postpone the junction with its consequent reduction of profits. Yet in this chapter the introduction of foreign capital is favored, although the effect of an increase of capital is to lower profits. Is there inconsistency in this? No; because the capital thus introduced through free trade operates as a facility, as would a discovery in agricultural chemistry that enabled a given amount of land to produce a larger crop. Without increasing population and narrowing the space between food-production and consumption, between population and land, any more rapidly than it would be narrowed without such introduction, it effects more thorough cultivation of occupied lands and profitably occupies new or waste lands, enabling the same population that would have peopled the country had the capital not been introduced to gather larger profits and live up to an improved standard of comfort. The increase of capital being in a greater ratio than that of population the reduc-

tion of capital's profits is transferred to account of labor's wages, increasing them as much as profits are lowered. This is the grand desideratum in economic science and in statesmanship. Under these circumstances there is a counteracting force of physical and intellectual improvement in operation to prevent the point being attained of, not absorption of all the land by capital and labor employed in making it productive—for that is desirable and must for a long time to come be the policy of this country to encourage—but of an excess of population demanding subsistence beyond the productive power of the land to support in affluence every member of the community ; or to a point beyond that where increased labor may effect a proportionate increase of production, the proportion that result bears to effort beginning to diminish. The increase of capital is not to be prevented, but encouraged to keep up its growth at a rate relatively faster than the growth of population. It is capital this country wants for developing its resources. It is a population it wants for the same purpose, but composed of a people accustomed through generations to consumption of all necessities and comforts obtained through the high wages that their relative proportion to capital and land has enabled them to exact, and which wages capital has been enabled to pay through the operation of combined natural advantages of fertile lands in abundance and other facilities conjoined to free trade and its markets.

I said it was desirable that the absorption and cultivation of unoccupied lands should be effected. They should be so, embracing all the varieties of cultivation, including ample reservations for the beautiful as well as what is commonly known as the useful. This does not involve the

theory that every foot of land must be brought into corn growing for an overcrowded population to procreate, eat, and die upon. The absorption of all the land by capital and labor, in the sense I use it, does not preclude the existence of forests and parks. It embraces these, to be enjoyed in connexion with the producing fields by a population not so dense as to require that the lawns be turned into potatoe hills, in order to supply food to prevent the superabundant population dying from starvation. It is not too much to assume that the capabilities of man's enjoyment embrace a wider field than is comprised in the animal gratification of his appetites. This earth is not to be devoted solely to the production of men and women, and of food for them to eat.

Admit that the time is far distant in this country, farther adown the dim vista of futurity than our calculations can penetrate, when the excess of population can exhaust the productive power of the land. And this admission appears consistent with reason, even though we extend it so far as to say that time can never come, inasmuch as the increase of education, and the high standard of comfort always effected by removal of the pressure of poverty, will (the foundation being already laid in our institutions and abundant land) prevent that effect, and postpone it indefinitely. Then the measures of free exchange, *et id genus omne*, will here effect and keep up present processes of the more equal distribution of property and the levelling of classes, the absence of which, with inequality in their stead, is now, probably, rather than any excess of population, the cause of the distress in Great Britain. Whichever theory may be recognised as the true necessity there, that of the Malthusian *check upon population*, or the *equal distribution*

*among classes*, the facility of free exchange equally operates to remedy or mitigate existing misery there, and to defer and annihilate approaching misery here.

The increase of population is at present in the United States a benefit, not an evil. The true economical policy for this country is to keep up the process of distribution that prevents excessive accumulations in few hands ; and to keep the proportion of agricultural population to other from falling below that now existing.

The inequality just referred to as existing in Great Britain, and which free exchange and kindred measures are to assist our institutions in keeping far distant from this country, is to be estimated from these data. The population increases in England sixteen per cent. in ten years ; eight millions of the people are without any property, of whom three millions are paupers ; and four-fifths of the property, real and personal, are owned by less than two hundred thousand persons !

The two agencies of abundant land and free exchange combine to increase capital, the immediate agent employing labor to minister to consumption, and whose increase, like a high standard of comfort, is a necessary means of keeping up wages. Free exchange adds to the aggregate amount of capital, and increases the productiveness of land ; what does it do for labor ?

LIBRARY  
UNIVERSITY OF  
CALIFORNIA.

V.

LABOR'S LOSS AND GAIN.

FROM what has preceded respecting consumption, capital, and land, it must be understood that the amount of the fund which is to reward labor, depends upon two conditions: the proportion that the production of commodities consumed by laborers, directly or indirectly through exchange, bears to the effort of labor expended in the production; and upon the proportion borne by the production to the consuming population of laborers.

Protectionists dwell continually upon the specific amount of labor and the nominal price of products, without noticing the proportional results of labor and the abundance necessary to supply the wants of man.

The demand for labor we have seen is increased, and likewise the amount of its remuneration, by freedom of exchange, because in adding to the riches, individual and aggregate, of a nation, it increases the disposable capital; and this seeking avenues for investment, new methods of employment start up, and improvements are effected that would not otherwise be attempted. All branches of industry are enlarged and active, and laborers are in demand and better remunerated.

Restriction, limiting the quantity of commodities, en-

larges the prices. But these greater prices for the articles produced by the labor of the country—though at a superficial view they may seem to do so—do not benefit the labor of the country. The community has to pay the amount, and without possessing increased means with which to do so, for there is no more capital in the country ; on the contrary, there is less than there would have been had no restriction existed. Some other branches of labor in the country have to pay the amount going to the protected branches. It is like a man taking a sum of money from one pocket, and putting into another, leaving the individual no richer ; he has not stooped and dug out of the ground a valuable ore, and placed it in both pockets to add to his wealth.

Protective laws, therefore, create crises, and, instead of increasing the amount of labor, diminish, and, restricting its freedom of directing its exertions, displace it.

Is it said, that, with less production, the greater the amount of labor required to effect the result, and therefore increased demand for it, and better remuneration to the laboring classes ? This is said ! It is precisely the theory upon which protectionists ground their arguments to foster, as they say, home industry. But how dangerous a reality ! Increasing labor and diminishing result—carried out in practice, what would it effect ? The extermination of the printing press, that tongue of Progress ; of the use of steam power ; of the electric telegraph, the magician that leads the red levin, once hurled destroyingly to earth, around the globe, the swift trained messenger of man, obedient to his will, to breathe in antipodal ears, while yet the lips that syllabled the sounds are trembling with the emotion that prompts their utterance, the harmonious

music of affection's greetings. Carried to the extremity of practice, where would it end ? In the result of total non-production ! It is the practical business of life to remove difficulties, not to raise up windmills for Quixotic combat to waste labor upon. This theory supposes labor to be the end of human effort, whereas it is only the means. The end is property, riches, an improved condition of existence. As the eye is kept steadily fixed upon the end of a bettered condition, in the daily toil of life, it is necessary to keep it there in the theoretical speculations, or rather the scientific researches after a system that is wanted for the sole purpose of attaining that end.

We will apply the economic formula to the effects of free trade and protection upon labor.

Land, capital, and labor are permanently associated for attaining the result, and for dividing between themselves the profits of their joint employment. Finally, we must come to this settling of the account. There is no fourth estate to share a profit or suffer a loss.

How does protection affect these agents of production ?

Population is increasing, causing an increased consumption of food. An increased demand for agricultural products inevitably causes a rise of rent, supposing no increased facilities for production—whether the facilities be improved implements, roads, or free exchange. To substantiate the above position, here is the rationale : New land, either of an inferior quality, or at a greater distance, must be brought under cultivation to furnish the required supply. It costs more to produce and supply a given amount of food from this new, than it did from the old, land. Agricultural products will take the price that it costs to produce them under the least advantageous

circumstances, on the poorer or more distant land. The old land has the gain of the difference in cost of production, and this difference goes to increase its value, and is *the rent* of the old land.

Therefore, as to the land, protection, in increasing the price of the commodities imported and home produced, raises rents in favor of those who have appropriated this agent of production; rent being the effect of a monopoly. Adam Smith says, "high or low rent is the effect of high or low price."

As to capital, it is cosmopolitan; and, if its rate of profits is forced towards a minimum by the operation of the laws of one country, it has a tendency to seek another where the rate is higher. Its rate of profit is measured by its relative abundance, and its sum is less under the regime of protection; facilities increase its amount, but not the per centage of its profits. Our manufacturing capitalists are well acquainted with this principle, and hence they seek protection for the particular branch of industry in which they have invested their capital.

When population and capital are, on the whole, increasing, as they are known to be, if the facilities of production are at a stand, or diminishing, rent, we have seen, is benefited. The cost of production is increased. It must fall upon either capital or labor; which will succumb? We must now consider, that though capital is generally increasing with population, yet whatever tends to diminish facilities for production checks the growth of capital in a direct ratio with the increased cost of production. As between capital and labor, the condition of affairs, caused by removal of a facility, then is capital diminishing in quantity, and labor increasing in quantity, with growth of

population. By the law of supply and demand, capital's rate of profits must increase, and labor's diminish. Labor seeks capital, asking for employment ; capital is not seeking labor to offer it employment. Labor must succumb. Capital sustains its profits by diminishing wages ; and thus the increase in the cost of production is cast upon labor. The facility-destroying protection has a double action. In diminishing capital, and thereby lessening the demand for labor, it reduces the amount of employment ; and, in raising the cost of production, it diminishes the quantity of commodities, and raises prices. Labor has to consume less and pay more for what it does consume, suffering a double loss.

Whatever proposition we assume, its demonstration shows us that labor suffers the loss in the result of production. The increase in the cost of labor is borne by labor itself. It can only be labor, since the rate of profits of capital and rent of land are determined by the proportion between the result of labor's efforts, production, and the amount it subtracts therefrom for its subsistence ; and this amount, under restricted facilities, must diminish *per caput* in an inverse ratio with the increase of population, and the debasement of ignorance. Rent rises with the price of food, and profits with the demand of labor for employment, corresponding to an equivalent reduction of wages. The condition of the densely-populated countries of Europe attests the fact.

The gain of land in rent, nor the gain of capital in an increased rate of profits, is not what consumption requires ; but the gain of labor in increased wages.

Labor, the sole loser, cannot be protected directly. Foreign workmen cannot be excluded from the country.

*Hands*, as the contractors of labor technically call working *men*, will be manufactured abroad, and will be imported on living bodies. The importation of laborers must lower the wages of the workmen, and the manufacturers will profit by the partial operation of tariffs. The product only of the home labor is then protected, and not the producer, the laborer. Is not the protective system chargeable with materialism?

Protection is indeed unequal in its effects, and will continue to be until it excludes all things living and dead, organic and inorganic, and protects alike the professions, the trades, &c., &c. Until, in short, it does what providence has designed never shall be done—shuts up each people within a triple Chinese wall, to suffer a living death.

It is to be observed, that protective tariffs are formed to operate against the working man, and in favor of machinery. In tariffs generally, the protective duty is relatively heaviest upon those articles manufactured by machinery, whilst on those made by manual labor it is comparatively light.

Even though labor's hard fortune reduces its fate to coming off third best in the industrial contest, a discrimination is thus brought to bear, as if to prove that beneath the "lowest deep" there lies a "lower still," into which all-grasping Capital would thrust, for greater security against its uprising to assert its rights, this much oppressed third element of labor.

In deranging the distribution of the products of industry, protection causes injurious effects, where benefits would otherwise occur. The two divisions of labor, manual and machine, are prevented producing the results of which

they are capable. An ingenious fable of Goethe runs in this wise: that a poor workman, obliged incessantly to carry the water he used in his occupation of whitener from a brook at some distance, becoming impatient of the labor, one day suddenly threw away the wooden yoke which sustained suspended from his shoulders the buckets with which he drew the water, at the same time exclaiming, "Miserable that I am, not to be able to make others work for me, while I take my ease!"

The yoke in falling broke into two pieces, and each, seizing a bucket, ran with it to the stream. The buckets filled of themselves, and thence running to the cottage of the workman, emptied their contents therein. At first the man was very happy thus to be spared his labor. But the two buckets continued to go and come without ceasing, and ran thus to the stream and back emptying the water into his abode until it was nearly submerged. Why? Because the man did not know the magical word which could arrest the enchanted buckets in their career, and would enable him to derive from their labor all the advantages of its production without being subjected to the attendant disadvantages.

The two buckets have been likened to manual labor and machinery; the powerful word which can conjure the danger, and which assures to the world the benefits of the action of both, is free exchange between all countries, enabling these agents to operate as freely as they do in the exchange of labor and products between the several individuals of a community, and assisting them to equalize the distribution of the results of labor.

In considering the effect of restriction upon labor it falls in our way to notice a cause which produces like effects.

They are analogous, because both waste labor unproductively; favoring only partial consumption they diminish the quantity of those commodities entering into general consumption; both effect rarity, scarcity, dearness, in opposition to common abundance and cheapness. A false view of political economy has supposed that the extravagant luxury of the rich benefits labor so far, that without such expenditure it would not find the employment it receives in ministering to the luxury. This should be taken with qualifications. The investment it furnishes for capital and the consequent employment does doubtless benefit labor. When an individual invests a thousand dollars in a brooch or bracelet, not for personal use and ornament, that sum is not locked up from productive employment, and is not unproductive capital, so long as it represents a value, and like coin is employed by the owner in purchasing labor or commodities that are put to productive use. But when it is held as a permanent investment, or for wear, the thousand dollars are sunk from profitable and productive use. The benefit derived from employing capital in producing what is consumed in unproductive uses is limited, and another kind of employment might extend and make it general. The capital so employed must be withdrawn from occupation in those channels that would furnish matter for labor's consumption. This portion of capital is devoted solely to gratifying the tastes of a few in the possession of those things the many cannot procure. If withdrawn from the purpose to which it is applied it would needs be employed in the other, and with the ministration to the wants of labor the effectiveness of labor would be enhanced. At this stage of the argument we may have cast in our teeth all the quackery afloat concerning the fine arts, the

cultivation of a refined taste, &c. It may be alleged that the theory acknowledging only the existence of the vulgar useful as above presented tends to destroy all of this that should be cherished as consistent with and inseparable from the progress of intelligence. But it should be remembered, that there is a wide difference between the love of the truly beautiful, between an appreciation of the moral beauty springing from the Divine æsthetics and that love of splendor which joys in the possession of an object of show because it marks a distinction between the possessor and those who cannot possess it. This is a sentiment that appropriates to itself the proceeds of labor, giving through its limited and partial consumption a direction to the employment of capital that ensures the production of such commodities as the labor which by its hard exertions actually produces them cannot afford to enjoy. In the satin and velvet manufactories of France the artisan, whose sweat and skill turn out to view the gay and costly article, cannot wear it, nor can he even wear shoes, nor eat of meat.

Supposing a community of one hundred persons to represent a country, and that twenty hold the capital of the community in their possession. Ten of them hold half of it in land, and ten in money, devoting it to the production of articles of luxury and necessity in the proportion of ten dollars value of the former to one of the latter. The latter go principally to the consumption of the eighty, without capital, who labor in the production; the former are in part sold to the wealthy, who pay in their rental, and are consumed among the twenty land and money capitalists. This is in general terms much the present condition of society. If the wealthy were to diminish their consump-

tion of luxuries, capital would still retain its ever-urging necessity for employment, and the proportion of necessaries produced would be increased. Capital would transubstantiate itself from commodities unproductively to those productively consumable. Although, in consequence of the twenty consuming less of luxuries, the manufacturing ten would not supply themselves and the other ten with so many of these, capital would not diminish, as it would produce for the consumption of the eighty at a rate that eventually, gorging the capacity of all for consuming articles of necessity and convenience, would furnish the entire hundred with luxuries. The eighty would pay at first with their labor commanding increasing wages; and afterwards, as with the progress of cheapness they accumulated capital, would pay with their incomes of joint wages and profits. The incomes of the landed ten not expended as at first, in luxuries, would in the meantime have contributed to swell the productive investments, and hasten the progress of the rise from general consumption of necessaries, to a general consumption of luxuries.

Extending the hypothesis over the broad field of the world's production,—suppose in consequence of an entire resignation of demand on the part of the rich, all the capital now invested in producing velvets, satins, champagne, and jewelry, were diverted from those purposes to the production of breadstuffs, and of such clothing material as would be adapted to use rather than ornament. The wealthy would not enjoy their satins, champagne, and jewels, but bread, cottons, woollens, &c., would cheapen until they were brought within the reach of all who needed them. And then what would occur? If no restrictive laws existed, the capital that could not find use in producing these,

would flow into other channels, and from these necessaries extend to comforts, and thence to luxuries, as stated in the supposed case of the hundred.

It is unsound political economy, because it is not economy either collective or individual, but extravagant wastefulness for capital to employ itself in producing for the unproductive consumption of wealth, the costly and the rare, that are not consumed in a process of reproduction for the general use. And it continues to be wasteful as long as the condition of labor is one wanting the necessities of life, in consequence of there being not enough of cheapness wrought by capital's employment. Yet mankind will always covet and enjoy luxuries, as under proper circumstances of general participation they should do. Practically it only remains by those equalizing measures that entrench not upon individual right to acquire and enjoy ; and by promoting education, freedom of exchange, and all the cheapening processes whose tendency is to bring first the necessities, and finally the luxuries, to be shared by greater numbers of consumers, to promote general distribution, and thus improve the direction and effect of production. An attention that is never directed from the end of *general consumption* will prove to be the clue wherewith successfully to thread the labyrinth of economic policy.

## V I.

### WAGES NOT DIMINISHED WITH PRICES.

It is said, that if free exchange should achieve the end of increased supplies for subsistence, wages would diminish correlative, because wages regulate themselves by the cost of subsistence.

This is an error. In the absence of all restriction, if commodities are produced they will not be destroyed, but consumed. They cannot be retained in the possession of capitalists; these must pass them along to the poorer consumers, who will have more to consume. I once heard it stated by a French gentleman, whose ability and veracity are alike indisputable, that "there occurred not long since in France an enormous rise in breadstuffs, and a depression of wages. A large manufacturer said he had been obliged to lower the wages of his workmen because the manufactures could not find a market; that the production not meeting with consumption, he preferred diminishing wages to stopping the works entirely, and casting the operatives out of employment." *Not meeting with consumption*; because the cost of living was so much enhanced, the consumers generally could not afford to indulge to the same extent as before in the manufactured articles. Here the application of the key of consumption solves the prob-

lem of the correlative effects of subsistence and wages upon each other.

Wages are determined by the proportion of production, *i. e.* of capital, to the population of laborers. They are high, if the capital to be employed in contracting for labor is great in proportion to the population ; for capital is ever seeking to be used, and in its use employs labor. Under the dominion of favoring circumstances enlarging the proportion of production to the effort expended, this capital is greater in due proportion to the increased variety and quantity of commodities brought within the general consuming power of the population ; increases with the enjoyments and savings. Therefore, under a natural condition of things, the more capital the greater will be the amount of wages. It is true that we see the highest wages in new countries, and lowest in those older, where the sum of capital is much larger than in the new. This is because the new regions possess those advantages of abundant land and sparse population that are natural to them, and which cannot be wrenched from their labor by political or capital power, and produce from the land an amount of the necessaries of life larger in proportion to the population. On the other hand, in older countries, those two advantages being absent, the two powers named have usually profited by it, and worked their unrestrained will. The economic principle that the greater the capital, the higher the wages, would always be seen to hold its legitimate dominion, did not antagonistic causes of ignorance, excessive population, and practical inequalities, both industrial and social, operate to counteract the proper action of the law of economic science, that the greater the capital consumable by labor at large, the greater the fund from which to remunerate labor.

The fund exists, and it is that from which wages should be paid, and from which they would be, did not the cause named operate to divert the appropriation of much of the fund from the channel of wages, from labor consuming production.

When the advocates of protection shall convince me that the economic principle just stated is not scientific but false, and that freedom of exchange is not a cheapening facility and an advantage analogous to those named, I will heartily concur with them in their efforts to put down free trade. The remuneration of producers depends not upon how much money, but upon how much of consumable articles they obtain ; because labor, in producing, consumes the accumulations of savings from previous production. If the cost of these has been low, the expense of maintaining labor borne by its employer, capital, is low. (I leave aside the question of rent as unnecessary, and not affecting the argument.) Also if the production effected is large, the cost to capital is low. There remains besides these only the share of the production going to labor, the wages, to complete the cost of labor to capital. The two first being low, it is apparent that the latter, wages, may be high, and still capital obtain a fair profit. Abundance of commodities, of production, is, therefore, not inconsistent with high wages. In other words, wages will not fall because the cost of living is cheapened. The reverse may be the case, as we see in England wages low and subsistence high. In this country, we see wages high and living cheap. The *cost* of labor is less, as is proved by the higher profits and rate of interest.

Under an enlarging field of consumption and production spreading over the ground of labor's action ; under the

habit of greater consumption and with the wider demand for labor, wages will be retained at a height that will meet a raised standard of their necessities. When all shall have obtained employment, the competition between laborers will cease, and the wages will cease to fall. For an indefinite length of time thereafter, however, employing capital, aided by and acting through the development of the useful arts, and the improving agricultural and manufacturing processes—in following up its course of cheapening production—may continue to increase the quantities of commodities, and bring ever more of these within the consuming power of the masses, their wages and their consumption augmenting together in a double amelioration.

Thus wages do not fall with the cost of subsistence, as pretended ; nor do they rise with it. They are regulated by the call of capital, which is, in turn, greater or less in amount with the increase or diminution of commodities ; these are regulated by the demands of consumption, which increase with their gratification because man's wants, by a law of Providence, ever increase with his possessions. Under these circumstances, wages rise. Protection granted to all the various branches of industry around the circle of production would circumscribe it within constantly narrowing limits, would stultify it, and defeat the object of the protection. Therefore, when on the other hand, under the protective regime, the demands of consumption diminish, through diminished power of gratification caused by lessened quantities of commodities produced, there is a less amount of capital seeking use, the field of labor is circumscribed, workmen are forced to seek employment, and wages fall. It is the retrogressive system.

We have thus again described the industrial circle, and

observed that the ameliorations effected by free exchange are not transient, but are durable. They are not retrogressive, nor stationary, but progressive, under the effect of the law above named.

When protection builds up an interest the compensation of labor is not increased ; existing capital pockets the rise.

In reference to the relative positions of labor and capital, and the effect of protection on wages, Mr. Secretary Walker, in his comprehensive language, speaking of the results of investigations made by an expansive genius combined with an indefatigable industry seldom brought to bear upon the science of industry, says :—" The wages of labor have not augmented (as claimed then in 1845 by the friends of protection) since the tariff of 1842, and in some cases they have diminished. When the number of factories is not great, the power of the system to regulate the wages of labor is inconsiderable ; but as the profit of capital invested in manufactures is augmented by the protective tariff, there is a corresponding increase of power, until the control of such capital over the wages of labor becomes irresistible. As this power is exercised from time to time, we find it resisted by combinations among the working classes, by turning out for higher wages or for shorter time, by trades-unions, and in some countries, unfortunately, by violence and bloodshed. But the government, by protective duties, arrays itself on the side of the manufacturing system, and, by thus augmenting its wealth and power, soon terminates in its favor the struggle between man and money—between capital and labor. When the tariff of 1842 was enacted, the maximum duty was 20 per cent. By that act the average of duties on the protected articles was more than double. But the

wages of labor did not increase in a corresponding ratio, or in any ratio whatever. On the contrary, whilst wages in some cases have diminished, the prices of many articles used by the working classes have greatly appreciated."

Two years elapsed: and in the meantime the high tariff of 1842 was greatly reduced, and, after a year's experience of the effects of the reduction, in December, 1847, the same able statesman in his report thus furnishes us with the result:—"Whilst all have derived great benefits from the new tariff, it is labor that has realized the largest reward. It was contended by the advocates of protection, that it enhanced the wages of labor, and that low duties would reduce wages here to the rate allowed for what they call the pauper labor of Europe. On the contrary, the opponents of high tariffs insisted that labor, left to seek freely the markets of the world, would find for its products the best prices, and, as a consequence, the highest reward for the labor by which they were produced. The duties have been reduced; and yet wages have advanced, and are higher now than under any protective tariff. There are many more working men concerned in other pursuits than in manufactures, and with much less of machinery as a substitute for labor; and by depressing agriculture, commerce, and navigation—by restricting their business and the markets for their products—the wages of those engaged in such pursuits are reduced; many workmen also lose employment; and, competing for work in manufactures, the wages of all are diminished."

## VII.

### EDUCATION.

THOUGH it be at the risk of repetition, we must devote to the subject of education a distinct heading.

From the principles and deductions that have preceded, it seems that where Population and Capital are advancing more rapidly than agricultural skill and inventions, there rents are rising and profits and wages lowering. In the United States this condition of things is modified by the existence of a superabundance of fertile land, and the enterprising energy of our people ; these coming to the aid of skill and inventions, counterbalance the force of population and capital, and rents are kept down, whilst profits and wages are sustained at par. The free exchange of industry has the same tendency with skill and inventions, and, in the older and more densely populated countries of Europe, would come to their aid as the abundance of land and enterprise do here. Its adoption in these countries may therefore be properly and with scientific correctness regarded as a desideratum beyond all cavil and exceeding our power of valuation ; while in this favored land it must be hailed as the great good to assist materially in raising us to a still more lofty position in the gradation of blessings.

The effective force of this American enterprise lies not

only in the *morale*, but additional weight is lent to it by the greater proportion of population applying itself to production. The total population of Europe is estimated at 250 millions; of the United States, 23 millions. The standing army, 2,800,000; employees of government, 2,000,000; and idlers, 20,000,000, of Europe, amount to 24,800,000; and in the United States the army, 13,000; employees, 150,000; and idlers, 300,000; amount in the aggregate to 463,000. One-tenth, therefore, of the European population are idle non-producers, against a proportion of only one forty-fifth in the United States.

When we look upon this country and those of Europe in the true light that penetrates the sophisms and phrases woven around the subject of free international exchanges, by its opponents, the alarms lest our industry be crushed in a free contest with theirs, are exposed in all their weakness to excite our wonder that they are so fondly cherished by those who utter them. The danger seems altogether to lie in the rejection of free trade and kindred measures, not in their adoption. This will be the inevitable deduction when treating of free trade in connexion with education, which is another ally, more powerful with us than in Europe, co-operating with our broad lands and active enterprise.

The improvements effected by the industrial arts and all the cheapening processes, furnishing an increased consumption for the poorer classes, they become habituated to a degree of intellectual and physical enjoyments above that they before enjoyed, unless where the population is dense and fast encroaching upon the productive capacity of the land; and those classes, instead of adding to their enjoyments, simply increase their families to be fed and clothed

by the old standard. In order, therefore, that a diminution of the cost of living may be permanently beneficial to the people at large, it is essential that their tastes and habits be improved by the process of education developing the intellectual and moral, and increasing the proportion borne by their action in the human being to the corporeal.

Such increase promoted by education, effects in its passage a succession of triumphs over the instincts of mankind, as the brutal propensities are weakened, and the intellectual strengthened. The instinct of reproduction of the species will with others be brought more under control, and where population is encroaching upon production so far as to reduce wages and the general remuneration of labor, the control that educated mind will exercise over the instinct referred to, like that it exercises over intemperance, acting to check the growth of population, will arrest the downward tendency of labor's condition.

If education be not conferred, then the improvement afforded by the facility would be temporary or trifling ; the proportion of population to production increasing, the price of food would be higher, that is to say, the cost of its production would be raised. Wages would in effect be brought back to the old rate ; labor would sustain the rise in the cost of production, where it would be thrown by capital, which would profit in proportion. Causes are then to be seen producing their legitimate effects, as they may be observed in many European countries, where a dense laboring population, poorly fed and clad, and steeped in ignorance, are seen on the one hand, and domineering capital upon the other.

We see that Free Exchange and Education are measures of a kindred nature, and that a co-operation is

necessary in order to ensure permanence to the beneficial results. Free Exchange is an effective initiatory step, as it gives first to the poorer classes the opportunity to raise their standard of comfort, and the means with which to act, and prepares the way for education to step in and keep it there.

These are the principles and their tendencies taken in the abstract. Of course it is not assumed that in this country we could not practically enjoy the blessing of general education without first adopting entire free trade. Experience has taught us that we can; because kindred institutions have given us an impetus upon the right path, yielding great results. But the principles are not the less valuable. Under the most favorable circumstances, their adoption heightens beneficial effects, whilst, on the other hand, to neglect them diminishes the force of those effects. And there is for this country a future for which the present is but a preparation. The governmental and economic sciences have yet to reveal many principles and much practice. Were it not the case that our territory is so extensive in proportion to our population that the poorest land brought into cultivation and determining the rate of rent is very productive, causing low rents, so low as to be merely nominal, and high wages of labor; while the cost of labor under large and facile production, being low, capital gathers good profits without the necessity of bearing hard upon labor through a reduction of wages; were not such the condition of things in this country, the favored recipient of blessings, a few years of high protective and restrictive regime would tell weightily even upon education. Under all the favorable circumstances above enumerated such a regime could not fail to

have its effect, that would doubtless be perceptible were there a proper statistical society, so much needed, organized in this country, to show us, among other things, the necessary educational facts.

If any country can sustain itself under this sapping regime of protection, unquestionably it is this. But it is not for us, tempting Providence to play lightly with our blessings. Theories may be put in practice and principles may be applied, whose effects will neutralize much that is of inestimable value in our institutions. Measures in strict accordance with the scientific principles of a true political economy are necessary to the retention of those blessings.

Independent of the danger from over population, the legitimate effect of education is such as to hold the standard of requirements at a height that will insure an adequate reward of compensation to labor; one that will place it in a position to make favorable terms with capital for a rate of remuneration above what would be claimed, and therefore, securing higher wages than would be demanded by a labor steeped in squalid poverty and ignorance. Then if the Malthusian theory of the evils resulting from over population be set aside as inapplicable to the circumstances present and prospective of the United States, if there will be no population pressing upon land and its capacity of production, there will be no excess of population to interfere, and prevent labor from reaping its full benefit of the improving processes of education, free trade, and kindred agencies.

When we consider the agencies borne by labor and land in production, in providing for the increasing wants of increasing numbers—placed upon the earth to improve

it and themselves—we are struck with the importance of education and agriculture. Whatever enables the laborer to produce more from the land, and whatever promotes his power for a rational enjoyment of the product, present themselves as desiderata, that claim our most strenuous efforts. Every thinking being must feel sensible of the nobleness of a pursuit which tends in any degree, however small, to advance education, the mental and moral improvement of the laborer; or to promote the increase in quantity and quality of agricultural productions, the basis of all enjoyments.

The efficiency imparted to the humblest departments of industry by educated intelligence is apparent to every observer. The emigrant who lands upon our shores and enters the family of a citizen in the capacity of maid of all work, rich in brawn, brogue, and blunders, but poor in education or mental development, furnishes a common illustration of the gain labor would derive from education. The careful, educated housewife, who has occasion a dozen times a day to deplore the neglect of Biddy's not having employed a little, but a little, exercise of brain, to the saving of a deal of exercise of heels, exhibits in her own methodizing, systematic course the advantages of combining thought, educated and improved, with the manual labors of the day. She is always ready to affirm and able to prove that, if the *help's* mind had co-operated promptly with her hands, one half her own labor would be spared which she could then devote to the making of the children's dresses, that she now must send out to the sempstress; in short, the labor could be done by two that occupied nearly all the time of three, effecting a desirable economy of labor and money.

Statistics show us that but forty out of every hundred persons in England can write their names ; also, that one hundred and ninety-nine of every two hundred in Massachusetts can write.

We here see the comparative results of free education, as it prevails in New, and restricted education, as it has existed in Old England.

LIBRARY  
UNIVERSITY OF  
CALIFORNIA.

VIII.

PAUPER LABOR—TRIBUTE—INDUSTRIAL  
PROFICIENCY.

HYPOTHETICAL examples, involving definite applications of the principles premised in the preceding chapters, to the circumstances of the country, will best serve to test the truth of those principles, while the several objections urged here and abroad, against freedom of international exchanges, are being considered.

Advocates of protection assert that the United States cannot successfully practise unrestricted international exchanges, because it is younger and has less capital and force of labor wherewith to contend against the industrial efforts of the old world, and express alarm lest our manufactures be prostrated by the influx of cheaper productions of foreign pauper labor: as many nations produce the same articles, free exchange would strengthen those older and more proficient, and prevent the growth of our industry. Hence, it is claimed that protection is necessary to keep up existing manufactures, and to effect the industrial education of this tyro nation, in order to raise it to an equality with European countries.

As paupers never labor, the catchword form of expression is too palpable to be overlooked.

Let us see how much of this threatened ruin to existing manufactures would be realized, and in what manner it would operate upon our interests.

Suppose foreign nations should take off the duty on our tobacco—in England, imposed at the enormous rate of about two dollars per pound—by a reduction of twenty-five per cent. of the amount per annum, and we should do the same on certain of their productions. I always use the term productions in the generic sense of the result of labor, whether manufacturing or agricultural. The consequences of such a reduction would be a large increase of our tobacco exports, and an enlarged increase of corresponding value in imports of their productions.

Where would the increase of importation fall?

Not upon those articles in which we can now nearly compete with them on equal terms, for the competition would have the effect of perfecting our production of those articles to a point of quality and cheapness equal with theirs.

The increase would attach itself to those articles in which we are greatly inferior, and cultivate or manufacture under disadvantages that render their production a waste, to a certain extent, of our labor, when they can be procured much cheaper and better from abroad.

It would also attach itself to those articles which we do not produce at all, and of which we would then receive enlarged supplies, to our own greatly increased enjoyment.

The labor, which with us had been disadvantageously employed in the production of those articles, in producing which we are inferior, would be called to employ itself in the production of tobacco, in which we enjoy superior advantages; and this labor would, in consequence of those

superior advantages, yield an enlarged result, greater in proportion to its expenditure of force and capital than it had previously yielded. Therefore, the gain to the country would be large on the score of a proper employment of its own labor, while it would be, on the other hand, great from the receipt of products of foreign labor, which before had been shut out from our general consumption. Every country gets its imports at less cost in proportion to the efficiency of its labor.

Thus it is that a double gain results from free trade. If such advantages are derived from a partial application of its principles, they would be greater in due proportion, if mutually adopted between countries, in relation to all commodities. We would see in the increased quantities at cheapened prices of the articles required for consumption, and in the increasing product of our own labor, furnishing means with which to purchase those articles, a double stream pouring its wealth from two exhaustless and ever augmenting sources, into the lap of labor, to enrich the poor.

Under the operation of free trade, we observe the labor of all countries working to produce enlarged quantities, each of their natural products, and casting all not consumed at home, as it were, into the general reservoir of all the world's property in commodities. Each nation is then seen to draw therefrom that which it wants—and wants because it is not produced as cheap at home—and drawing freely, without other expense than transportation, whilst it pays with what it leaves for others' uses. Each is getting cheaply, because the others produce abundantly, with all of nature's favoring force to aid them.

Shall a people refuse to enjoy the light of the sun, because

it shines as well on other nations ? Shall they dam up the waters of the stream that meanders through their fields and meadows, distributing its fertilizing force, because it takes its rise in the territory of a neighboring people ? Or, lessening the prohibition, shall they admit a partial flow to fertilize a portion only of their soil, because an individual, one **SIR CHARTER MONOPOLY**, has dug a well, and fain would distribute its waters through his aqueducts to irrigate the lands of those who will pay him toll therefor, but would not need his water, did the entire stream pour on its natural and fertilizing flow ? This protection is but modified prohibition.

It is laughable, and yet one needs must weep instead, its effects are so deplorable, to see nations studiously avoid receiving a benefit, refusing to enjoy the free reception of foreign manufactures, that, without a protective tariff, might be enjoyed at a rate so much cheaper than is paid for them.

The weakest nations are those who will derive the largest amount of benefit from free trade.

The question has been incorrectly stated by protectionists. It is not a state of destructive contention; but one of profitable amicable exchange that nations should relatively occupy. The relations countries should bear towards each other are peaceful, not warlike.

If A has most of commodities, and B fewest, and requires more of A's than A does of his, it is clear that, if freely exchanged, B is proportionally the greater gainer, and that he must be the least able to sustain the burden in its immediate and ultimate effects of any imposition.

Weaker, it is said, in capital and labor, we permit ourselves to pay tribute to England whenever withholding

protection from our manufactures. To show how fallacious is this charge of tribute, and how impossible that it can exist as an effect of commerce, we will suppose that from some cause we come under an obligation to pay that country fifty millions of tribute, in annual instalments of ten millions of specie ; and assume, what is near the fact, that the United States have an annual trade with England of 60 millions of her productions exchanged for the same value of English products. Next year the first instalment of ten millions has to be paid. We send her the 60 millions of commodities as heretofore, but 50 millions is in the commodity of produce, and ten millions in the commodity of specie. We receive from her 60 millions in the commodity of her products. What is the effect ? Specie, becoming scarcer, rises in value here, and England's products, becoming plentiful here, fall in value. Our products, getting scarcer in England, rise there, and specie, becoming plentiful, falls in value there. The following year this condition of the international exchanges augments. What results ? The productions of England's industry soon become so low in value here, and ours so high there, that she is obliged to send back the specie, in order to pay for the amount of our products she finds it necessary to consume, they being insufficient for the purpose of exchange, as our market is glutted with them for the time.

It will not be long before she will be returning to us the specie, in which our payment of tribute was made, through the transactions of commerce, as the exports and imports, both of that country and this, specie included, must become equalized. This would occur before the expiration of five years of instalments ; and until it did occur, we should be

receiving a larger proportion of the result of English labor in exchange for the result of our labor than we sent, because her products would be at a less money value than ours. There is a constant tendency in international exchanges to equalize, and no difference can be lasting. There can be no *tribute* effected by free trade.

This law of the regulation of international exchanges will be made more clear in the chapter upon drain of capital, where it will be seen that if this country purchases of another, it sells something as an equivalent, and we are the sellers of an amount of our produce, for which we are fortunate to find a purchaser able and willing to pay, on delivery, in articles we want, and at a cost much lower than we could manufacture them at home. And all of that difference in cost of her producing the articles, and our doing so, is our clear gain; so much of her natural advantages of labor and aptitude is appropriated by us to our profit.

A farmer finds it more to his interest to have wealthy neighbors than poor. If he can reach a rich city with the produce of his farm, he finds it more profitable than to gain no such market.

But it is only in a very restricted sense of the term that this country can be styled weak. The jealousy of more advanced nations is baseless, and a policy acting upon its dictates is suicidal.

Mirabeau, in his *Monarchie Prussienne*, has carried the principle so far as to doubt whether the trade of France was injured by the edict of Nantz, which drove so many skilful artificers out of the country. He says: "It is in general a sure principle in commerce, the richer your buyers, the more you will sell them; thus the causes that

enrich a people always augment the industry of those who have business with them. Without doubt it was a fanatic folly to drive 200,000 individuals from their country, to enrich another; but nature, who wishes to preserve her work, is incessantly repairing, by insensible compensations, the errors of men, and the most disastrous faults are not without remedy. The great truth offered by this memorable example, is, that it is foolish to destroy the industry and commerce of our neighbors, since it can instead draw to itself their treasures. If such efforts could ever produce their natural effect, they would depeople the world, and would render that nation very unfortunate which had had the misfortune to engulf all the industry, all the commerce of the globe, and be always selling without ever buying. Happily, Providence has disposed of things in such a manner that the frenzy of sovereigns will not be able entirely to arrest its good intentions towards our species."

If political convulsions, revolution, and war, are expected to occur in Europe to derange the action of their industry and the operations of trade, we hear expressed much regret and fear of injury to our agricultural and commercial interests. These forebodings grow out of anticipated contraction of the mutual exchange of our commodities and theirs. Yet, with characteristic inconsistency, the same individuals will endeavor to entail upon this country a policy of non-intercourse, partial or total, by tariffs restricting our importation of European productions, and involving a corresponding diminution of the exportation of our productions.

These inconsistencies appear because protectionists occupy the ground of restriction, and hence, standing upon a wrong principle, if it were carried out to the extreme

results in practice, the consequences would be disastrous and destructive of all production and enjoyment. Therefore, it is necessary to check the operation of the principle at some stage of its action, and measures are advocated or adopted, which, if carried to their extremes, would effect results directly the reverse of the original principle. The two principles avowed are necessarily contradictory, and the contradiction is apparent to impartial observers.

The objection that many nations produce the same articles, to retain any force, requires an exactly permanent state of such production. It also requires that every nation should manufacture all things. This cannot be. In the great diversity we see in population and natural features of countries, there is an inexorable prohibition of any such contingency.

As to effecting the industrial education of a tyro nation by protection, it may be said that competition is the true lever of improvement, and will keep up certain branches of production. Guaranteeing them the certainty of high prices, will leave no room for the incentive of necessity to operate. The unfilial conduct that contemns the "mother of invention," causing improvement to lag behind, will not wake the genius of industry in a people. The best way to do this, is to permit direct competition with other people proficient in the arts you would instruct them in.

I heard a distinguished member of the French Chamber of Deputies, whose views of protection were sound and clearly expressed, relate the following, the truth of which he could vouch for. An iron manufacturer of France, not long since, was asked by a member of the government, "Do you think that a protective duty of 15, 10, and 5 per cent., successively decreasing during fifteen years, would

enable you to dispense with protection at the end of that period?" "Without doubt," he replied. The official then said, "if it was put at once down to five per cent., how then?" "I would prefer to live fifteen years, to being killed off at once," replied the manufacturer. The official then remarked, "There are perfected improvements well known to the English, you could examine and introduce them into your establishments." The reply was, "what need have I to go to England? we are protected." This reply, so potent with meaning, was delivered with the most perfect *naïveté*, with a matter-of-course simplicity. It was in effect saying, we receive from our fellow-citizens a permission for making articles inferior to what they would be if protection was withdrawn.

"It is a well known fact," says Mr. Mill, "that the branches of production in which are fewest improvements, are those with which the revenue officer interferes, and that nothing, in general, gives a greater impulse to improvements in the production of a commodity, than taking off a tax which narrowed the market for it."

To say, give us protection for a time, until we have attained proficiency, is deceptive, for while we are advancing, other nations are improving also.

## IX.

### A HOME MARKET FOR OUR COTTON.

It has been urged in this country as a reason for protection, that we require a home market for our cotton ; because if we manufactured all produced, we should be independent of the fluctuations in European markets, where, it is said, a rise in our breadstuffs cannot be considered a fortunate event, because the scarcity that produces their demand abroad, increasing the cost of production there, causes a proportionate reduction of the value of the raw material upon which English labor is principally expended. That, exporting more cotton than corn, we lose more on the former than we gain on the latter.

The elements of the position here assumed refute of themselves the conclusion drawn. To take this argument as it is presented to us. It is admitted—more, it is made the groundwork of the whole argument—that scarcity abroad injures more than it benefits us. It is in effect stated that the injury is the exact residue, after deducting from the loss on cotton the gain on corn.

Then if the gain on corn was greater to a certain sufficient extent, we should suffer no loss. This being the case, our policy clearly is to increase that gain. Forcing

labor into the channel of manufactures will not do this, because it will draw off from agriculture all it turns upon manufactures, and thus reduce the quantity of breadstuffs produced, and raise their price, diminishing the amount exported and the profits thereon.

Further, the effect of greater scarcity and enhanced prices of breadstuffs abroad will be to increase still more the cost of production, and proportionally reduce the value there of the raw material, cotton.

The evil complained of is thus aggravated by the proposed remedy of the protectionists.

That scarcity abroad injures, and plenty benefits us, the advocate of protection admits. It does so; scarcity anywhere injures us; and plenty in like manner benefits us and all others. This is the free trader's theory, and because those effects proceed from those causes, he would promote abundance. But the protectionist, looking through his distorted medium, arrives at erroneous conclusions even when he starts with a correct principle.

What is the tendency of his theory? He would diminish supplies, and promote that scarcity; and wrapping himself in his selfish exclusiveness, says, "I will be sufficient unto myself, raising my own cotton and making my own clothes from it, and selling the foreigner my surplus corn at a good price, will pocket the money; independent, I will scorn the world."

But Providence never designed this state of things, and soon abases his pride and dissipates his selfish dream. The foreigner, not being able to send his manufactures, cannot take the corn, for, as with all nations, he has not an unlimited supply of gold at home to draw upon, and, sooner or later, must exchange his labor for what he wants.

Hunger and suffering are with the foreigner for a time,—the protectionist heeds it not, but Providence not permitting this inequality to last, the operation of natural laws will regulate the balance.

The protectionist has his corn on hand unsold, he has in addition merely his cotton and cloths. But he wants a thousand other things, and he must live on deprived of all these, poor in his wealth, unless he opens his door to admit the foreigner's products. Rather than continue to exist like the miser, on dry bread, with his wealth hoarded up, he yields to the demands of his nature and the knock of Providence, and opens his door, when the respective products of other nations, in all their rich variety, come pouring in upon him in exchange for his cotton and corn.

With nations as with individuals, nature has ordered mutual dependence one upon the other, if each would enjoy the goods a teeming world will yield to labor. With nations as with individuals, a shutting up within the narrow limits of selfish exclusiveness, brings a deprivation of many of those goods their wants demand, and a final merging into a state of barbarism.

Labor is not a defined, limited quantity, to be divided between the different nations, making it the interest of each to draw to itself the greatest share, and its consequent production. The field of labor, of production, is unlimited. The elements are placed at the disposition of man, created in the image of God, to continue the work of creation, to achieve new creations.

But the protectionist, semi-conscious of the injury to be effected by the full operation of his principles, may say that we will prohibit no foreign manufactured articles but those of cotton, which we especially desire to encourage,

and will admit all others ; exchanging for these our corn and cotton manufactures, thus supplying all our necessities. Deceptive reasoning ! that will not succeed in practice, nor enable us to escape the penalty of practising protection. We will trace the course of such a policy to its effects.

In proportion to the amount of labor thus concentrated on cotton manufactures, will be the decrease, as we have seen, in the production of breadstuffs. They will rise in price, and with the rise, will be enhanced the cost of our own cotton manufactures. We must then sell these abroad at a high price, or if sold low, our manufacturers will not be able to pay any but a low price for our material. The exports of breadstuffs have meantime diminished with their lessened production. The exportation of cotton manufactures now diminishes with their rise in price—our exports become altogether limited, and our importations of varieties in foreign manufactured commodities diminished in proportion.

What have the foreigners been doing meanwhile ? Cut off from manufacturing our raw cotton, and enabled to procure but limited quantities of our breadstuffs, they seek from necessity, improved methods of agriculture, and directing into that channel much of the capital before employed in cotton manufacture, produce their own breadstuffs in enlarged quantities ; with the increase of supply, prices diminish, and the cost of subsistence lowers ; the cost of manufacturing is with them diminished, and they can afford to pay an advanced price for the raw material. They are able to overbid our manufacturers for the raw cotton, and the planter, willing and anxious to sell where he can sell dearest, supplies them.

Where are we then ? With diminished breadstuff pro-

duction, and broken down cotton manufactures, we are poor, when we might have been rich.

It is thus that labor, meandering through a thousand channels, over the entire globe, and not confined to a district, finds its level; thus, that the balance of production is adjusted. No weight of selfish exclusiveness is allowed by Eternal justice, to be cast by one of the nations into her scales, to weigh down the rights of other nations. Providence has ordained that the effect of a nation's attempting to deprive another of the enjoyment of its productions, determines ultimately and disastrously upon the consumers of the nation making the attempt.

Aside from the foregoing hypotheses, which, however much they may be said to define an extremity that would not be reached in practice, are not the less true, as illustrating the effects of the theory—the short-sighted, crippling policy of any attempt to circumscribe our production of raw cotton, by squaring it with our manufacturing of the article, is more than objectionable, it is ridiculous. To be sensible of this, it is only necessary to reflect that "if France and Germany (I quote from Hunt's Magazine) should consume cotton goods at the same annual average as in England and the United States, viz. 25 yards per head, the increased consumption will be equal to the whole quantity at present spun in Great Britain." We see here a boundless field for expanding markets for the produced raw staple, when we consider that the approximation towards this rate of consumption is taking place not only in France and Germany, but throughout the civilized world. To meet this demand for the raw material, we may with great reason aspire, for we shall have no important competitor. But to hope to supply it manufactured, would be

the height of folly, as these countries must all do largely of manufacturing from the raw material.

Such is the extent to which the production of raw cotton may be and will be carried in the United States, that no extent of manufacturing the material to which we can profitably attain will consume it all. That this manufacturing consumption cannot keep pace with the increase of production, is evident from the fact that whenever duties have been most highly protective, there has still been an increase of the surplus production of raw material over such consumption. I refer the reader to the official statistics for the facts.

This policy of manufacturing our own raw material of cotton necessarily involves, to a certain extent, the contingency of finding a home market for our breadstuffs also. We have not got this market. With a surplus production of breadstuffs, and, under a policy favoring international exchanges, to bring capital into the country, with the ability to defy competition,\* it must be seen that the desideratum is markets ; and these we will always have if we do not, by restrictive laws, refuse to receive the commodities of other nations in exchange for our own.

\* It is stated by a farmer in Western New York, that his corn crop of 1848 cost him but 9½ cents per bushel, including interest on the cost of the land.

## X.

### THE FARMER'S PROTECTION.

THERE is no necessity for forcing the practice considered in the preceding chapter, of excluding foreign cotton manufactures, in order to build up a home market for our raw cotton, and diminish its exported sum as compared with that of breadstuffs. Our corn and wheat growing region is much more extensive than the cotton. It is intimately and widely connected with the physical and moral well-being of a larger number of the people. If other branches are not artificially excited, more room will be left for the expansion of breadstuff production, which, with increased exportation, would attain a degree of importance sufficient in some seasons to balance the deficit between it and cotton, and cure the evil (supposing it to be one) complained of. In 1847 the breadstuffs exportation exceeded the cotton; yet without doubt the greatest expansion of foreign markets will be for our cotton over other exports. Yielding, as we do already, a large surplus of breadstuffs and provisions beyond the power of home consumption, for which foreign markets are yearly expanding, to check their enlarged disposition in the open markets of the world, is one of those measures curtailing

our agricultural production which must produce the effect of casting a mass of rock upon the young sapling, that distorts the fair proportions of the growing tree, and stints its otherwise majestic growth.

Four-fifths, eighteen millions of the population of this country, are directly interested in agriculture. The manufacturing population is only one-seventeenth of the whole ; about fourteen are engaged in agriculture, to each one employed in manufactures. Two centuries and a half ago, three-fourths of the English population were agricultural ; now the proportion is one-fourth. Then lived the independent English yeoman, and that comfortable independence existed which now forms the theme of romance and of ballad. And now, alas ! May the proportion of four-fifths, engaged in developing the mother of the arts, never be lessened !

It is assumed by the friends of protection—who would build up factories because they believe the degree of intelligence among a manufacturing population would be higher than that of an agricultural!—that with the increase of manufactures, nuclei of factories and manufacturing towns would be formed throughout the country, whereat neighboring farmers would find markets for their products, and receive commodities in exchange, with a saving to both parties of transportation. In order that the advantages assumed as contingent upon this state of things, supposing it to be attained, should be reaped, it would be necessary that the farms should remain as before, of small size and disposed among a great number of proprietors. Such would not be the case. With the growth of the manufacturing towns, the numerous small farms about them would consolidate into a few large ones. The small tracts

of land would be gradually thrown up by their occupants, who would seek in the promising business of the towns those pursuits that would at first offer better apparent opportunities for improving their fortunes. As they were thrown up, they would be gathered into the hands of a fewer number of proprietors. No moral improvement would be experienced by those who changed country for town ; and certainly no physical, in exchanging free play of muscle, with sunlight and pure air playing about them, for toiling within brick walls, imprisoned in cramped positions, to grow old in their early years. The change from small to large proprietorships in turning several small farms into a large one, would diminish the effective production in proportion to labor, which in agriculture is greatest when the proprietor says to his workmen, "come to the field," and smallest when he says "go to the fields." Personal superintendence and the sense of ownership cannot be sacrificed without loss. In England, the proportion of small farms is much less than it was two and a half and three centuries ago; while her large manufacturing towns have absorbed the population. The example of that country is before us to avoid, not to imitate in any of its forms of protection and monopoly.

If protective restriction and not free exchange is the facility, if lines must be drawn and restrictive barriers interposed, why not place them between states and counties as well as between nations?

Only such manufacturing as is so unprofitable as to require protection is referred to here. Europe has most capital, we have more land. To employ our labor and capital upon the land, is to derive therefrom larger results than if we neglect land, and employ the labor upon

our capital in manufacturing. If we seek to raise the result of the labor diverted into manufacturing channels to an amount equivalent to what it would be were our labor and capital employed upon the land, we must increase capital ; and an infinitely great increase will be necessary to furnish a force sufficient to compete with the heavy capital of Europe. We may effect this increase by borrowing from her.

If we choose the former course, it is trade, the mutually independent exchange of products ; if the latter, it is borrowing, indebtedness. One is the frugality that expends only its income, the other the part of a spendthrift who pledges his estate to the usurer.

Whenever the loan is repaid, it is in the accumulated profits of the manufacturing interests, made off from the consumers. For importations made under free trade, there exist means of payment as imported, in the enlarged products of consumers, under the operation of labor and capital jointly upon land.

Protectionists would thus strive, by hothouse growth, fictitiously to increase our capital ; yet they say that wealth has often destroyed, never created a country. But this is only another of the manifold inconsistencies to which a false system necessarily gives birth.

On occasions of scarcity and high prices in Europe, our agriculturists are benefited, not only to the extent of the profits made on the amount of provisions exported, but, in addition, they profit by the enhanced prices of that consumed at home, which are augmented in due proportion with the rise on the article shipped abroad. The tendency of capital is towards accumulation with the manufacturing interest. While the agricultural population exceeds the

manufacturing fourteen-fold, the value of agricultural products is only three-fold the manufacturing. The principle of free exchange, which opens a wide channel for the exportations of our agricultural, therefore tends to divert from the manufacturing interest a portion of the capital, which, under protective tariffs, rapidly tends to excessive agglomeration upon that interest. And, in effecting this diversion, free trade measures turn a portion of the capital so diverted into the agricultural channel, preventing that enormous inequality which is an unavoidable consequence of the operation of protective measures.

That, after this diversion, the manufacturers do not suffer, but are only relieved of a plethora, is evident, when we consider that this branch of industry exhibits an abundantly large increase, to say the least, under the operation of the present revenue tariff. We see this increase in cotton manufactures, when we compare the home consumption of raw cotton in 1843, which was 325,000 bales, with that of 1848, which has been 531,000 bales. In the meantime the exports have diminished 142,000 bales.

These things show that free exchange is required, that the agricultural interest, distributed upon small farms, may receive its due proportion of investment of increasing capital and return of profits ; and show also that our cotton manufactures do not need the bolstering of protection, in order to retain a firm footing in the secondary position, which naturally they should occupy in our industrial catalogue, agriculture being entitled to the first.

Quoting from the Democratic Review of October, 1848, the words of an able writer—" the great free trade principle, as applied to the business of this country, has come

to be well understood by shrewd and practical merchants, viz. that how much soever arbitrary tariff laws circumscribe the supply of goods, and confer monopoly upon certain classes of domestic industry, there can be no active or lucrative business without a favorable state of the export trade, such as will raise prices of those agricultural products that result from the industry of three-fourths (he might, without exaggeration, have said four-fifths) of the consumers of goods, and therefore, according as the agricultural products are bright or otherwise, is the faith of both importers and factory agents in the healthiness of trade."

These are the results of a tariff much freer than its predecessor, and so far well for the time. But many protective features exist, which are, with each year that brings improvements in the industrial arts, aggravating in character, and the time is rapidly approaching when another reduction will be required to meet the just demands of that spirit of free exchange which abhors protection.

*Open markets and no restriction make the true farmer's protection.*

Four-fifths of our population being agricultural, and their products not imported, the injustice of the protection that taxes them to support a fraction of 1-17 whose capital is invested in manufactures, against the importing competition in articles of their peculiar production, is manifest. And of the one-fifth, the remainder of mechanics and professional men, like the farmers, being left without protection.

Why do not the medical faculty, profiting by the example set them, pray for a tax upon all those laud-

ably ambitious students, who, after a few years' absence, import scientific knowledge gathered in the hospitals of Paris? Are they not afraid that more lives will be saved by this imported knowledge, as the manufacturers fear more bodies will be clothed and made comfortable by imported necessities?

Our agricultural production is susceptible of indefinite improvement and enlargement. Under the encouragement derived from the markets that free trade would open to us, our hemp and wool would soon add their powerful weight to that of cotton, tobacco, and breadstuffs, in yielding ample returns of wealth through profitable exchange.

Farmers, do you want protection? Then seek it in removing an antagonist, not in maintaining its existence! From Buffalo to New York the transportation of a bushel of wheat costs 20 cents. One-half this amount is paid for the canal toll. You pay this tax willingly. Right! it is a *just* one. It is paid to facilitate transportation and exchange. The law, however, is the agent for collecting from you another tax, not less in amount, but an *unjust* one. It is paid to restrict exchange. So dexterously is this extracted from your pockets, that you are perhaps unconscious of your paying it. Turn to Chapter second, and you will learn how it is done.

Abolish this sleight-of-hand system, and you will gain a natural and healthy protection of ten cents a bushel. Probably you would be grateful for a repeal that would relieve you of the other ten cents, paid for canal toll. Nevertheless you are willing to continue paying the just tax. Are you willing to keep up the payment of this *unjust* one?

This tax has a double effect; enhancing the cost to you of the necessary articles you consume, and in keeping closed a number of markets against you, of keeping down the prices you receive for your produce.

Is it suicide you would seek? The thrust of the steel alone would produce death—why envenom its point?

## 1. THEORY OF THE STATE

## X I.

### PRINCIPLES GOVERN.

IN falling back, as stated in Chapter 9, to occupy the ground of special encouragement to certain branches of industry, protectionists assume that absolute principles do not govern, but that mankind regulate their transactions by the expediency applicable to the act of the time. The theory of free trade is very fine, say they, but in practice it proves to be a bubble that bursts. It is beautiful, but entirely poetical.

*Principles are universal*; if protection is good for one nation, it is good for all the world. Restriction, being injurious to one, is so to all, and in proportion to the extent to which it is carried.

As the sole object of the protective policy is to turn the balance of trade (we will see in a succeeding chapter how difficult it is for a nation to gain and retain this balance of trade) in favor of the country applying it, all countries would seek to turn the balance in their favor, which would be impossible. The protective is a false principle, since it cannot be applied at the same time to all nations for the advantage of all.

What is true as respects individuals, is true as to communities, in all matters connected with production,

exchange, and consumption. It is equally to their interest, to buy where they can buy cheapest, and to sell where they can sell dearest.

*Principles are universal.* Every step in advance made in the sciences by the astronomer, mathematician, chemist; every glance that penetrates the arcana of nature, confirms the stability, the invariability, the unerring certainty of some great, yet most simple law, that governs.

*Principles are absolute.* If the political economy that requires protection, denies this, then that theory is no science, but a falsity. That it does deny it, has been shown by protectionists accepting and applying the principle in adopting improvements in machinery, that enable one man to do the work of many, and refusing to apply it when rejecting the removal of protective duties, whose effect is the same.

We witnessed, in a previous chapter, the acceptance of the principle, the law of Divine Wisdom, which declares that all gifts of Providence, and all results of labor, shall be distributed among all consumers, when we saw them benefited by adopting the sail. We there observed, also, its rejection, the violation of the principle, the law, by the sovereign power, and all who upheld it in the act, when the sum of the protection was added to the original tax.

The absolute law condemns all violation of its principles. "The wealth of the world is but one, the exchanges which negotiate that wealth are but one, the merchants of the world are in one partnership, they divide but one profit and one loss." A great truth, and well stated by the *London Times*.

The nations of the world are in one partnership, a great principle forms the bond of union, adherence to its require-

ments is profit, their violation is loss. Unwise that policy which trammels their trade, restricts the free exchange of their commodities, loads them with taxes, checks the buying and selling of their stock in trade, curtails their business, diminishes their profits, and, crippling their freedom of action, estranges from each other these naturally associated members of the great firm.

"If protection was the high road to national prosperity its advocates would have us believe, how is it that, after generations of trial, it has not succeeded in gaining an established footing in the hearts of this people nor in the councils of the nation? So far from that, it has been constantly combated, and throughout the civilized world is fast growing weaker in its hold upon men's minds. There must be some defect in its principles, or it would not be retrogradatory.

The practicability of free trade, besides the favorable though partial experience here, has been tested and proven beyond a doubt, in many instances, in other countries, some of which will be noticed hereafter.

It is true that free trade is poetical. Is there a great truth that is not? Is the false poetical? No! but the poetical is ever true. The great truths of the Bible, are they not and have they not ever been esteemed poetical? Whatever is holy, whatever is beautiful, whatever is pure, is fraught with poetry. The birth, the life, the death, the teachings of the Saviour of the world, are they not all the several parts of a great poem?

If it is poetry, and poetry it is, we must indeed acknowledge the great worth that dwells in liberty to exchange, and bow to the force of its truth.

And knowing well that free trade is of the true, we may

sing with a firm advocate of free exchange, America's immortal bard—a poet whose verse seems not like the flowerets dancing to the music of the zephyrs, nor like the soft whisperings of sentiment breathed in the ear of kindred feeling; but may be likened to the mass of ever-living granite, that, enthroned for ages on the mountain top, stands forth clearly defined against the heavens, majestic in severe and lofty grandeur :

“ Truth crushed to earth will rise again,  
The eternal years of God are her's;  
But Error, wounded, writhes in pain,  
And dies amid her worshippers.”

## XII.

### SPECIE DRAIN.

PROTECTIONISTS say that the products of those nations producing the cheapest will be preferred to those of other nations producing the same articles, who, not being able to exchange, will suffer a drain of specie, an exhaustion of their capital, unless they restrict importations by protective tariffs, and thus prevent the balance of trade turning against them.

Why is it that the complaint of excessive importations that cannot readily find a market is often made? Why do not the imported products immediately find consumers? Because other producers have not made a sufficient quantity of other products to exchange for them. This great fact is lost sight of by those who urge the complaint against importations. Were importations and exportations limited to purchases with and sales for money, small indeed would be the aggregate trade of the world. When other producers have not made what would exchange for products, restriction has in many cases previously operated to diminish the power of production through its lessening of the power of consumption.

Those who urge the objection of a specie drain lose sight of the important fact that importation and consumption are

individual acts, a great number of which go to make up the national operations as we look at them in the aggregate.

The increased importations that keep up the revenue under a reduced tariff are made in consequence of the enhanced cheapness and augmented consumption increasing products, which, as the goddess Minerva sprang into life from the head of Jove, are coming ever forth into full life out of consumption. Or, rather like the ephemera that dies in the act of reproduction, leaving a brood to supply its place, consumption is destroying the major portion of the produce, the existing capital of a country, in the act of reproducing new results from the industrial effort. While the laborer is working to-day in producing the value (or a little more) of a day's food and clothing, he is consuming and destroying the equivalent food and clothing (wear of instruments, &c.) which had been produced, by his labor, yesterday. The existing productions disappear under the action of consuming industry, which is at the same time achieving new products in greater quantities to supply their place. The more there is consumed and consumable in existence from which to accumulate, the more can be produced, the more capital there is to exchange, and the imports increase. The great business of buying and selling carried on throughout the world is by the exchange of products for other products; not by selling commodities for money, and buying again with money. Importations will not be made faster than they can be paid for. The merchandise is brought into the country by importers who pay for it with their capital, which returns to them on the sale of the importations to the consuming purchasers. Each of these consumers purchases according to his ability, and they pay with their products, and those products are the reve-

nues of their several capitals, or rather their reproduced capitals, which are not diminished, nor lost. The importers derive a profit from the business on their capital invested, or they would not continue the trade. They consume part of their profits in living, their capitals increasing, not only by the profits made off from the consumers at home, but also by those made off the foreigners, which, in returning, effect enlarged importations. These augmented importations are what the protectionists consider so grievous an evil, but which those not blinded by a fallacy regard as an addition to the wealth of the country, a clear gain of commerce in profits made upon our trade with foreigners. There cannot be loss to the community when each individual engaged is profiting. In practice there can be no such disastrous results as the protective theory alleges ; and the country's capital is in no danger of being exhausted.

The capital of the country in this manner induces the purchase as it does the production of commodities. As new production is limited by the capital calling upon labor to undertake new works, the new purchases likewise wait for capital to call for investment. Although without enlarged consumption production and capital cannot increase, purchases are not directly undertaken in consequence of the demand for consumption, any more than the demand for labor is constituted by that which may exist for those commodities resulting from the production. There might be much demand for an article, but if there was no capital accumulated it would not be produced nor purchased. The *direction* that purchase, as well as production takes, is given by the demand for consumable commodities which turns into its channels the existing capital's demand for

labor, likewise already in existence. Wealth, capital, instead of consisting of specie, being made up of the consumable commodities which are the produce of industry, the money that facilitates distribution of these products is valuable only for its purchasing power, and only so far as it represents the products ; and then this representative is, in effect, the commodity itself. This specie has been received from some source, in exchange for a nation's products, and the country is fortunate in being able to exchange again this mineral, which has in itself no virtue, and cannot either feed or clothe its people, for those products which they need for their enjoyment. Then we are, in fact, still exchanging products for products. This, as I heard M. Horace Say express it, from the tribune of the *Congrès des Economistes*, is the "corner stone of the edifice of political economy."

Our trade is with many nations ; if the balance with one is against us, it is in our favor with another, and when we come to balance accounts with all, aside from the profits made on our products, we will have exported as much as we have received ; no one of them will consent to supply us with her products gratuitously And if she did, would it not be a gain ?

"Gold and silver," says the profound Ricardo, "having been chosen for the medium of circulation, they are, by the competition of commerce, distributed in such proportions among the different countries of the world, as to accommodate themselves to the natural traffic which would take place if no such metals existed, and the trade between countries were purely a trade of barter."

Notwithstanding what has just been stated, the balance of trade objection will perhaps be pertinaciously adhered

to. It is proper, therefore, to present the true theory more in detail. Supposing an excess of importations—we have already seen that the existence of a surplus is evidence of insufficient capital-employing production at home, whose products would have furnished exportable commodities, that, in being exported, would have prevented the excess of importations; or it is evidence of excessive exportations, in other words, previous insufficient importations of commodities exclusive of specie, this last commodity preponderating. As we have before seen, coming in as a commodity it is proper it should go out as the same, and no loss is thereby sustained. Upon occasion of the excess of importations, the exportation of specie will continue until the surplus is withdrawn, when the exportable commodities will become cheaper, money having risen on the other side of the scale causing prices to fall, and the demand for them will in consequence rise abroad. Then if the country could not export when prices were high, it will be able to do so when they are low, and the balance will be restored. What Mr. Mill happily calls the equation of international demand will be established.

There will be an auxiliary power at work aiding in establishing the equilibrium, which will be of itself sufficient to effect it in all save rare instances like the preceding supposition. In the ordinary disturbances of trade, such as might occur under the pure unadulterated regime of an unrestricted traffic—temporary and to be readily equalized by the laws of trade—the premium of exchange would adjust the balance. Imports exceeding exports in value, exchange is against the country; but, selling for a premium, it is so far a gain to the exporter, an addition to the sum he receives for his merchandise, and encourages

his exportations. Being transferred to him from the pockets of the importer, who must feel this tax upon his importations, it operates as a check upon them. Gradually the exportations proportionally increase, exchange lowers, and thus temporary balances are adjusted without specie being transmitted at all.

Soon, perhaps, this side of the scale rises in its turn, and exchange settles past the central point of par, until getting in favor of the country, it can afford to export at reduced prices, because what is lost in depreciation of commodities' prices, it gains in the rise of exchange, now in its favor, again to return, like the needle that is temporarily turned from the polar point, and settle about the magnetic centre of par.

Ports being open, and exchanges of commodities active, there is no obstruction, as under the restrictive regime, to the operation of these and all other processes of equalization. Whichever way we turn, we find channels open, through which the waters of trade are seen rushing to distribute themselves equally in all the regions of production and consumption, leaving their fertilizing deposits of profits with all.

This balance of trade alarm is in truth mere fallacy. It adjusts itself between nations. Each can take no more than it can pay for, and each will send no more than it receives payment for. Then there is no such thing as balance between the amount of a nation's exports and its imports, save the literal balance that makes both equal.

Does the balance lie then between the amount of our productions and the amount of our consumption? No; the amount of these productions, whatever they may be, are consumed immediately at home, or mediately through

what we receive in exchange from other nations ; and this is likewise made the literal equal balance. Then there is no such thing as a *balance of trade*—it is a *chimera*.

But there is one thing that is tangible, and will satisfy our inquisitive search, if we do not neglect it. In seeking for the *non est* “balance of trade,” we were brought to a stand at the point of *consumption*. We find every problem terminative upon that point. The consumption was found to be just equal to the production. To enrich a country, then, is to facilitate the greatest amount of production in proportion to its labor. We have already seen how well free trade is entitled to be considered a facility.

If protectionists must need still insist upon having a “balance” of specie, they will learn by reference to the statistical facts, that for the last year of the high tariff of 1842, the balance was \$8,203,281 *against us* ; and for the year 1847, the first year of the reduced tariff, it was \$12,103,984 *in our favor*. But transient must be the *balance*, as it should be. In the year 1848 a large exportation of specie reduced the excess.

With further reference to statistics it will be ascertained whether the drainage of specie from this country in past years, has actually been greatest under high or low tariffs. I quote from the report of the Secretary of the Treasury for 1847, the evidence being substantiated by tables compiled from the records of the department, and appended to the report.

“ The four protective tariffs were enacted in 1816, 1824, 1828, and 1842. The compromise act intervened from March, 1833, until after the 30th of August, 1842 ; and the revenue tariff of 1846 went into operation last year. Let us now look at the effect of high and low tariffs upon

the gain of specie during these periods, from 1821, being the earliest date to which the records of the Treasury go back on this subject. From the beginning of 1821 until the commencement of 1833, and from 30th September, 1842, until 1st July, 1846, our excess of the imports of specie over the exports was \$12,660,312, being an average annual gain of \$791,216 in specie during these sixteen years of high tariffs ; whilst the excess of specie during the eleven years of the compromise act of 1833, and low tariff of 1846, was \$68,507,630 ; and the average annual gain of specie was \$6,227,967. Omitting the tariffs of 1842 and 1846, and comparing the ten years of comparatively low duties from 1833 to 1842 with the twelve years under protective tariffs from 1821 to 1832, we find under the latter an actual loss of specie to the country by the excess of the exports of specie over the imports, of \$3,851,-652, as the result of protection, and a gain during the succeeding ten years of comparatively low duties of \$46,-294,090, or at the rate per annum of \$4,629,409, and in the single year under the new tariff a gain of \$22,213,550 ; thus exhibiting a uniform gain of specie in the years of low, as compared with high duties. The protective theory, founded upon this assumed balance of trade and gain of specie under high tariffs, is disproved by the results ; and it is shown, by the experience here of more than a fourth of a century, even as to specie, that it accumulates most rapidly by the gains of trade under a liberal commercial policy."

There is nothing more ridiculous than the oft repeated objection to free trade that low tariffs encourage importations to excess until we become largely indebted to foreign countries, and have to pay in specie, followed by over

trading, derangement of currency, and all the stereotyped bugbears that furnish excuses for the loud calls made for restriction, wherewith to confine trade within the limits of good behavior. To "restrict importations by special acts of Congress!" As if trade was a madman, that must be put into a strait jacket to force submission to certain conventional rules and regulations. Supposing that for a long term of years no such thing as a tariff existed, no person can possibly believe that trade would not regulate itself by the law of supply and demand; and that, because a tax did not exist to enhance the values of certain commodities, therefore, heedless of the limit of demand, individuals would be found so insane as periodically to ruin themselves, by furnishing to the community uncalled for supplies. On the contrary, it must be evident that the values and prices being less, more would be consumed; and that, as when prices were higher, the supply would be furnished to meet the demands of consumption, and no further.

It has been, during the year 1848, alleged that the low rate of duty permitted too much importation, causing a drain of specie, and that the exceedingly low prices at which goods were invoiced were breaking down our manufactures. Much that is here assumed of large imports as attributable to the low tariff, was caused by the unsettled state of Europe, destroying confidence there, and inducing people to hurry their commodities out of the country, thrusting them upon the American market, in order to realize something from what, if retained at home, they were apprehensive would be totally wrecked. Under a much higher tariff, the same cause would have produced the same effect, though to a less extent. But the effect,

caused, as it has been, principally by the low tariff, and partially by the disturbances abroad, has not been injurious to the interests of this country, inasmuch as the facts go to prove the truth of the position assumed herein, that the amount of imports *must* call forth an equivalent amount of exports in exchange, and if we have got a large supply of foreign products at low prices, we have paid for them in the products of home industry, and simply made what we should rejoice at—a good trade. We learn, by reference to the report of the Secretary of the Treasury for 1848, that during the fiscal year, excluding specie, foreign imports were consumed to the value of \$127,490,012, and that the domestic exports, exclusive of specie, exceeded that sum by \$2,713,697. With reference to the charge of breaking down our manufactures, their flourishing condition belies the assertion. Under the actual circumstances, we see that no “ruin” has been wrought, no *injurious* drain of specie has occurred. Evidence of the truth of this proposition exists in the fact that on the first of January, 1848, the price of United States Treasury Notes in the New York market was 99, and at this present writing, on the first of December, of the same year, they are selling for 108. Balances have simply been adjusted, and a profitable trade has flourished under the auspices of an approximation to free exchange.



### XIII.

#### CURRENCY DERANGEMENT.

RETREATING from the positions of necessity for protection, on the score of sustaining manufacturing interests, to secure the independence of national labor against the influx of foreign pauper labor, and prevent the industrial death to ensue from the producing competition of more advanced nations: on the ground of saving the tribute to foreign countries, paid when a balance of trade lies against the country, and drains its specie—protection seeks an argument in the alleged evils resulting from a deranged currency.

A protective tariff is required, it is said, to restrict importations to an amount not exceeding the exports, lest the drain causes a contraction of the currency, the effects of which bring ruin to the commercial interests. Protectionists know that commerce would derive untold benefits from the universal adoption of free trade, therefore cannot be candid when urging the commercial interest to oppose it. They are, then, placing themselves in a position where they are liable to the accusation of adroitly seeking an argument that may enlist this class against free trade, before it shall have fully tasted of its benefits. It is under the protective regime that crises are produced. With the

foreign markets shut against our products, every slight excess of a forced home production depresses prices and disturbs the currency. With our markets closed against foreign products, every decrease of our own from any of the many causes that effect such a result likewise produces its revulsion. There, then, exist no outlets and inlets through which the troubled waters of trade may seek their level.

Generally, those who advocate protection as better economic policy than its opposite, also approve of a system of currency that, overstepping the limits of the universally acknowledged representative of value, specie, adds to it and substitutes a circulating medium of merely local value ; and which creates a widely diffused system of credit. This engenders losses, and aggravates whatever evil direction the course of trade may take. Though speculation may originate in the relative proportions borne, or expected to be borne, towards each other, by supply and demand, we always see in times of immoderate speculation a large increase of bank issues.

And though the call for credit may originate in the growth of business, or in the spring, to compass the stretch of an opening trade, the expansive currency and its consequent extended credit operate upon production and markets in subsequent stages, by catching up the speculative spirit, and carrying it along with new vigor that heightens results, prolonging and extending the movements until contractions must necessarily be more violent when they do come. With this condition of its effects in view, I will enter into a limited analysis of the character and effects of an expansive currency ; sensible that, of all the problems

contained in the economic science, it is perhaps the furthest from solution.

Money, we have seen, is valuable only so far as it represents the consumable products of industry; therefore, to increase the circulating medium is not increasing the wealth of a people. The law of demand and supply determines value, controlled by the law of cost of production, in the case of money, as of most other things. It is not, strictly speaking, the abundance of money, but of credit, that raises prices. Credit, however, is employed to a much greater extent as a means of purchase, when bank notes are used, than when the individual seeks it directly, as they are credited out to individuals on discount notes, and thence the credit is repeated with each transmission of the paper currency from one individual to another. Each of these has obtained a credit for the amount, when he could not, perhaps, have obtained it directly upon his own responsibility; and if he had credit of his own, it is not impaired, but can be used in addition to the use he has of the bank's, which is thus multiplied to an almost indefinite extent. Money, specie, has the same power of multiplying purchases, but costing more to produce, and existing in smaller supply, its value is greater than that of bits of paper, and the value of commodities is proportionally lower. Banks, when they issue three representations of a dollar for one of money deposits, produce the effect of quadrupling the purchasing power, which consists then of one of money and three of credit. In addition, the credit exists which is independent of that attaching to the bank notes.

When the bank notes are added to the currency, all the

subsequent holders of the notes suffer a loss equivalent to what is gained by the issue. This is by the depreciation of the value of the currency. There is an off-setting rise in the value of commodities. The gains made by operators, who obtain from the banks the loans for enlarging their business, are a portion of the banks' gain ; and these thus divide the profit made by them off from the community at large—the consumers—the loss of the many balancing the gain of the few.

The analogy between the effects of protection and bank issues, in the rise in value in commodities caused by each, explains the affinity between these schemes of national tinkering. It is said that, from the banks, producers get loans whereby to effect increased production and employment for labor ; but, as when on one side of the scale the increased sum of money depreciates, and, on the other, the prices of productions go up ; and as, when the immediate producers and circulators of the enlarged amount of money profit, it is at the expense of the community at large, to whom the money is depreciated and commodities made dearer ; as these are the facts, it is clear that the paper currency effects the same forcing of production, for the benefit of a limited number of producers, that is effected by high tariffs ; and, in like manner, at the expense of *consumption*. High tariffs raise the value of certain commodities, and lower others proportionally. A paper, when added to a specie currency, similarly raises the value of certain commodities, and lowers another—money—proportionally.

With the increase of paper money in a country, the specie circulation will diminish. All the saving and hoarding will be of the specie, as most persons prefer

keeping the hard to the paper money, to which more or less of suspicion always attaches in the minds of the people, who will use it as currency in all their necessary payments. With the increase of paper money, the amount of specie contained in a country will be diminished. The addition it makes to the currency, raising prices and causing enlarged importations, will carry off the specie as a paying commodity. This inequality of imports and exports will soon, however, become equalized under the equilibrating laws of trade ; but, in consequence of the introduction of this third element of paper money, it will not be until the specie shall have been exported to an extent that will reduce the sum of money that created the high prices by as much as the amount of excess which caused the rise, leaving the same amount of money in the country that there was before the creation of the paper money. The difference will then be, that the money will not, as before, be all specie, but one half specie and one half paper, supposing that to have been the proportion originally borne by the paper creation to existing specie. Just to the amount of the paper issue, the specie that before was held in the country as a circulating medium will have been exported as a commodity in exchange for other commodities, and paper will be retained as currency in its place. The *production* of the paper leaves so much of specie to go out as a product, while it glides into the place before occupied by the specie as currency.

And hence it is that much reason may appear to exist for the creation of a widely-diffused paper currency, that through the creation of a fabric of credit, which, in turn, is used as capital, shall effect production. This has been already answered ; but again inquire if the process does

so securely, permanently, and progressively ! I have supposed it to extend to one-half the original sum of currency, which was presumed to have been entirely of specie. If it stops there, the creation of paper leaves an equivalent sum of specie as a redeeming basis, and, admitting the improbable supposition of no failure or fraud in producers, there is security. But there is, at the same time, no permanence or progression, for it must cease when half the specie is exported ; and the volume of currency not being increased, to obtain progressive improvement requires an amount of paper currency exceeding the sum of specie retained, and one, too, that shall be equal in actual value to the nominal value it expresses.

When the issue of paper money, in order, by credit, to increase capital, does not stop at an equal amount, but exceeds the sum of specie retained, security is endangered in a ratio with the excess of paper currency. When it equals or exceeds the entire sum of gold originally used as currency, only the value of the specie actually exported is supplied by the paper creation, not a specie value equal to the nominal amount of paper issued ; and all of the issue over and above the value of the specie exported, merely supplies the place of the depreciation. Thus, if, 80,000,000 of gold existed in the country as currency, and 50,000,000 is exported, in consequence of the creation of 40,000,000 of paper money, supposing security and no depreciation, the first proposition is exhibited, and no gain is perceptible in amount of money or production. Then, if an increase of eighty swells the paper creation to 120,000,000, the whole of the nominal 120 millions, and whatever fraction of the previous 40,000,000 of gold remains as its basis,

are together of no more value than the original 80 millions of gold currency were before any issue of paper was made.

Then, there being no additional actual value, will there be, in fact, any permanent and progressive improvement effected by this substitution of a large sum of paper for a smaller one of specie currency ? It is not probable that, after the first moment, when the markets, taken by surprise, as it were, will not have lifted prices, the increase of currency will stimulate industry to the accomplishment of any effective enlarged production. With the increase of money comes, it is true, a rise of prices. But the rise is general ; and all the outgoes for material, labor, &c. &c., of all producers rise with their incomings, and they receive no more remuneration than before. They soon understand this, and then there will be no more enterprise awakened, and capital called into action than previously, under a smaller volume of currency.

We may learn, by past experience, that, on the other hand, a cessation in the increase of the paper currency of corporate bodies, even a degree of diminution, does not effect a diminution of production. In 1837, the bank circulation of the State of New York was \$24,198,000 ; in 1848 it was \$23,047,826. Yet New York has not stood still during that period of eleven years ; industrially she has progressed with a sufficient degree of rapidity to satisfy the desires of any reasonable amount of enterprise.

The theory of increased production being set aside, there may be another reason advanced for the existence of paper currency. The creation of a value for commodities, or rather the regulation of value by government, may be said to be desirable, provided enough specie be retained

for foreign balances. Besides the absolute value of specie created by its cost of production, is the relative value of supply and demand. And this variable of demand in money is effecting a constant change in the value of commodities, or rather is the effect of variations in the supply of and demand for money and commodities ; therefore, if the currency possesses no other value but the relative, it will be better adapted to sliding backward and forward upon the scale, with the supply and demand of commodities represented by it, than if incumbered with the absolute, which imparts to specie the fixidity of value that prevents such accommodation to circumstances of trade or speculation. Hence, if the banks were so organized and conducted that their issues would be safe, and would, when specie is scarce and high in the country, emit a sound circulation, that should supply just enough currency to counteract the deficiency of specie, and prevent the value of money from rising ; and, on the other hand, when specie was pouring into the country, and money plenty, should contract their issues, to prevent money from cheapening, thus, by their double action, preventing the rise and fall of prices, the fixidity of specie as a currency might be advantageously accommodated to the variations in demand and supply of commodities. Likewise when money is plenty, from the prevalence of credit, under the speculative spirit of enterprise, when, to a great extent, individual credit supersedes the place of money, bank paper issues might prevent the undue rise of property, and fall of money ; and the expansion, on the other hand, might ease the market, when a wish to realize, and the necessity for means to meet engagements, had produced a diminution of individual credit.

Those who believed such to be the true theory, would

perhaps qualify their assent to it by urging the necessity for retaining a sufficiency of specie, to secure the stability of the currency ; and further urge the imposition of guards and checks innumerable, to prevent, if possible, the recurrence of the scenes of fraud, of mismanagement, and consequent losses, destruction, and attendant evils, which have indelibly stained the pages of banking history, with the sanguinary and dismally infamous marks of *rouge et noir*.

Or, discarding the general banking by issue, they would needs refer the creating and administration of such a paper currency, entirely to the government, federal or imperial, and seek some method of National banking, that should escape the fate of the French assignats. When some such method shall have been prepared and practised successfully in some quarter where trade and speculation abound, or when an unobjectionable plan may be presented, we will consider it more fully than we shall do here. Reference will be again made to it, however, in this chapter.

What are the facts of the past that indicate the part taken by currency in the inflations and contractions of markets ? Has the quantity of paper currency slidden backward and forward with the supply and demand of commodities ? In other words, has the currency expanded and contracted inversely with credit ? The complaints frequently heard from those men of business, who attribute their failures to a contrary course having been pursued by the late United States' Bank, furnish a negative reply so emphatic, that a National Bank has been almost universally denominated an exploded idea. Banks in general seem heretofore to have glided with the current

rather than stemmed it. As well as one can see, experience has taught that all the theories heretofore practised have been wrong, and we feel cautious about casting away the absolute value, when, in all the mischief wrought by relative value, it appears as though, had it not been for the leaven of absolute, the evil might have been greater.

It is capital that causes production—it is the operation of buying and selling that creates demand for money—it is profits that cause interest. The buying and selling call capital into use, a necessity for which use on capital's part urges it to the buying and selling either in trade, that exchanges commodities, or in production, that buys labor and sells the product. The profits yielded, call for more money, and pay interest. Interest, therefore, is secondary to profits. The original movement is that of buying and selling ; the bank loans upon interest succeed upon this. Therefore it is that the past has furthermore taught us, that although much mischief is owing to the character of the currency—though its inflations aid in keeping up a spirit of speculation—and although, under the cramping effects of restriction upon trade, any currency is more sensitive than under freedom of exchange ; the broad fact is, that it is not to currency we are to attribute the origin of those trading, railway, and other speculations, that result in crises. They probably originate, in most cases, in the accumulations of capital, that have succeeded upon a term of good production, causing capitalists to become dissatisfied with the comparatively low rate of interest, ruling under a plethoric, easy, jog-trot state of business. Enterprise seeks to invest in new sources of production, in trading operations, or in large and costly improvements, that shall become fixed capital, and pay a higher rate of inter-

est upon the investment. The propensity to follow where others lead, then comes into exercise. Lured by the prospect of new avenues for investment, opening to view and promising rich returns of profits, the circulating capital is, much of it, drawn from the channels of business, and *fixed* with the surplus capital, in an *inconvertible* form (sometimes the growing demands of business call for improvements, like railways that sink much capital); the capital getting short, credit is resorted to for fuel to feed the fire of speculative fever.

It is at this stage that paper currency inflations, caused by acquiescing in the demand for money and credit, step in and place the capital of credit in a form accessible by all, divisible to any extent, and representing all species of property, in all men's hands, to aggravate the mischief. Even more, not waiting for a demand, banks offer their currency for use. It is well known that in times of speculation bank directors have gone round with the question and offer, "Have you no notes to throw in to-day? We are ready to discount." In a country like this, where almost every man has some property, and therefore credit, such a state of things causes the speculative mania to spread like a conflagration in a wooden city, reaching and engulfing all far and near. Much is invested in the newly promising branches of trade and production; and credit is added here too, until it becomes exhausted in all directions, because capitalists have begun to think it time to realize. Then people begin to look about them for means with which to meet obligations swelled to an enormous extent, because people would be as enterprising as their neighbors. But there is not money enough. A distrust of the value of every kind of

property, but money, causes every one to seek to obtain it. The causes named are sometimes aided by large investments in imaginary cities, parcelled out upon paper to eager speculators. All combined, and sometimes either of them, are sufficient to absorb the circulating capital previously employed in business, and run everybody into debt beyond their capital to the extent of their credit. Capital has been much of it spent in unproductive investments. During the rise of speculation the rapidity with which money changed hands made a given amount much more effective ; then, also, with money easy, credit was admitted to be used as capital ; but now, during the fall, the suspended circulation caused by panics makes a given amount do but little service ; and when money is felt to be scarce, credit is thrown out. Interest is high enough now for capitalists, but there are fewer of them, and those who have money are cautious when everybody's credit is gone. There is no money to be had by those who are looking about them for means to meet the excessive liabilities incurred in speculating, and but little for those who wish to continue the productive investments even in old jog-trot avenues of business ; and production is, for a time, much diminished from the standard in existence before the speculation commenced. People will follow their neighbors ; the imitativeness is now carrying thousands to California to dig gold. These fits always take the name of fevers, because of their contagious nature.

Such is a brief history of the rise, progress, and fall of the speculative mania, as it has exhibited itself at different times. But the rains descend to distribute their fertilizing effects, and the earth yields of its produce, and capital

again accumulates, slowly at first, then more rapidly. We must believe that while man accumulates capital and continues to possess the quality of enterprise, speculative fluctuations in business, and their effects of gains and losses, will not cease to afflict him. All the governmental tinkering will be, as it has heretofore proved to be, mere vagaries of quack politicians that leave but one result—the old condition of things joined to a universal sentiment that *that* plan was not the right one. Is it not better to leave all the movements of trade and currency to themselves ; to leave all fortune making, all accumulations of capital, whether of property or credit, to the exertions of individual members of the state, gentlemen tinkers of the Legislature ? By protecting in various ways you only promote those inequalities of accumulation that make two classes, one eager to lend and the other anxious to borrow. Let individuals furnish credit to others if they please, it is their own business ; there will be none the less failures because government so far endorses their notes as to charter their issue. The earth is productive, and real capital and private credit are rapidly increasing without your assistance. It is the negative assistance of *laissez faire*, not the active, that is efficient. Two causes of fluctuations already exist ; you only add other causes to them. A high tariff to prevent importations, forsooth !

I have said that the equilibrating laws of trade will equalize the imports and exports ; but the continuation of paper issues will retard, even until the period of collapse and general bankruptcy, the regulation of international exchanges, which is to be accomplished by a fall in prices of imported commodities, because, as long as banks continue to issue, money will be plenty and prices high

in the country where paper is produced. If interest would rise, gold might be retained in the country for investment at the high rates; but interest will be low as long as the issues continue. The low interest and high prices combine to accelerate the progress of the excessive action in all departments of business, and the realization of a commercial crisis.

The recent development of an apparently inexhaustible quantity of gold in California has been compared to a large issue of paper money. The supply is expected to cheapen money and inflate prices here until overwhelming quantities of foreign commodities shall crush our industrial enterprises, when a reaction will find us deprived of the ability to produce, and leave trade the prey of bankruptcy. Such reasoning is entirely chimerical, and the cases will not be found analogous in their effects. The gold, unlike a home-produced paper currency, possessing a universal value, governed by cost of production, will flow out of the country as it is produced, and distribute itself among all nations, occupying universally the same relative value to commodities that it does now, subject to such general depreciation in its value as may be effected by the amount of addition to supply. Distributed as the gold will be throughout the world, such additional supply must be immense in order to effect even a small general depreciation of the value of gold currency and counter appreciation in prices of commodities.

The value of gold and silver now in the world is estimated by Mr. Senior at 2,000 millions of pounds sterling. What was added to it from all sources previous to the California development, including the \$15,000,000 annually produced by the rich mines of the Ural (esti-

mated at the extremely large production of 1846, but which for 27 years had been only \$125,000,000), has been only sufficient to supply the deficit the precious metals are continually undergoing from loss, wear, and use in the arts. The per centage of increase in these three influences would increase with the addition to the amount of the gold produced; and whenever a sensible depreciation in its value as coin began to be felt, the per centage of increase in that portion used in manufacturing articles for luxury and use would greatly enlarge itself, keeping the value of coin at a high standard, but little, if any, below the present point.

The annual loss referred to has been estimated at one-half of one per cent., which, upon the gross amount of the precious metals in possession, amounts to \$50,000,000. If the labor of 16,000 men was employed in procuring an average amount to each man of ten dollars each per day in perpetuity, the produce would only add as much to the quantity as the annual loss now sustained. Such a product is altogether improbable, rich as the deposits promise to be; and if it were realized, the fact of their great productiveness would draw off from other regions less productive the labor now expended there, in this manner, aided by the per centage of increase in manufactures, still subtracting from the general increase; also changing the locality of production. In view of the principles and circumstances named, the realized addition of what is probably to be less than one-half of one per cent., will be too insignificant to affect materially the value of the precious metals. We must also recollect that a stimulus to productive industry will be called forth by this specie product in its demand for exchangeables; and the general

development and increase of production, population, and trade throughout the world will eventuate the absorption of the added amount of coin in the enlarging trade.

From what has preceded, we determine that the currency problem resolves itself into the complex question of *kind* and *volume*. Of the kind, specie only appears to be secure. Supposing that kind adopted, the proposition presents itself to increase credit by enlarging the volume of currency. Also the volume must possess expansile and contractile powers, to meet the corresponding movement in demand. These advantages *in posse* are a strong temptation, but they involve a change of kind. Specie and volume are incompatible. On one hand security must be sacrificed ; on the other, expansion of credit. The incompatibility of maintaining the exclusive specie currency with the expanded credit, has brought about the mixed currency, involving a condition of partial security through the retention of a portion of specie, and of partial expansion through the adoption of a limited volume.

Is the trans-specie volume indispensable ? A volume loaded with the three conditions of an injuriously exercised expansile and contractile power ; with a depreciation progressing with its increase that causes reduced value to neutralize additional nominal amount ; and with its fearful insecurity.

If the condition of a large proportion of banking institutions be regarded at any given point of time, it is certain to excite a sense of insecurity. Four hundred millions of dollars is the estimated amount of loss sustained by the people of the United States within the last twenty years, caused by the explosions of paper-issuing banks. Could the balance be fairly struck between the gains and losses

from the use of paper money, it is probable the latter would preponderate.

For the purpose of holding the proper progress of credit at a pace in keeping with the permanent advance of the credit basis, in other words, with the growth of production and accumulation of property, a successful conservation has not been and could not be uniformly practised under existing systems of banking.

The credits that have been called into action in effecting the great canal, railway, and other improvements that become fixed capital, are not bank credits.

Applying the test of *consumption* to the past, we are forcibly reminded of the fable of the tortoise and the hare, and it suggests caution for the future, whilst forcing a conviction that security and permanence are of more importance than expanded volume; for whatever the volume, society will adapt itself to it.

For the future, probably it would be a work of supererogation to hope that the march of knowledge may render the existence of a limited amount of chartered paper money compatible with gain to the community. The progress of economic intelligence will probably dispense with its use.

The sanguine may anticipate a future improvement by so far prohibiting the production of paper money as to confine the issue to notes of large denominations. This change would be so far beneficial as it prevented the circulation of anything but specie among the poorer class of the community, who have heretofore been so largely the losers by small notes; but the ultimate loss would as usual fall upon labor, and it would not prevent the speculative effects, depreciation of money, and the general insecurity

of banking, by issue and deposit. When by issue, there is still the fraud of a note professing to represent a value that does not in fact exist.

This factitious representation being always committed when more bills are issued as representing specie than there is actually specie in deposit, the mere nominal convertibility is fraudulent.

Even supposing the banks not to possess the issue, but only the deposit power, there is danger of their loaning deposits to the extent of an undue expansion of credit, and thereby affording an encouragement to speculation productive of the usual deplorable effects.

With these evils is involved a sacrifice of the interests of depositors, through the subsequent inability of the banks to refund the deposits unduly loaned under strong temptations of a high rate of interest, of personal influences, or from other causes.

In respect of this discount and deposit department of banking institutions, regarding banks as reservoirs for receiving and distributing money; although sound credit is a substitute between individuals for capital as a producing agent, the statistical facts teach us that the exchange of products has been greatest when bank credits were least. Individual credit subserves the purposes of a healthy business, without calling to its aid that of chartered companies. In 1842 while the bank loans at New Orleans were in round numbers 48,000,000, the value of produce received at, and the value exported abroad from that city, were together 73,000,000; a proportion of less than two of business exchanges to one of banking facility in a year of large loans. In 1848, when the loans were 6,000,000, the value of produce was 119,000,000; a proportion of

nearly twenty to one in a year of small loans. In four of the States whence the produce was sent to New Orleans, the bank loans in 1842 amounted to 111,000,000, and in 1848 to 8,000,000. As exchange is the effect of demand and supply operating mutually by markets calling for products, and products seeking markets, it is just to conclude that there has been an inordinate degree of importance attached to the credits furnished by banks, and that these credits are a less efficient agent of traffic than is generally supposed.

We may extend the subject for the purpose of considering its connexion with state and government banking, and finding a more complete answer to the indispensability of volume.

This is an era when the feudalism of arms has submitted to the feudalism of capital, and, therefore, in a Republican government it is most in consonance with the spirit of its institutions, and safest, to place checks upon that domination of capital over labor which a paper money creating power is so well calculated to effect. A means consistent with the governing principle of not over-governing, is, for the government to collect and disburse its own revenues in specie, leaving the credit-creating power of paper issues upon specie basis, to the democracies of the several states, whose action in the premises is safest when it measures the issue by the limit of convertibility; and this is equivalent to a negation upon all issues, inasmuch as it is better to circulate the specie than to substitute for it an equal amount of paper, losing security and gaining nothing. The conclusion is, therefore, against the State democracies, as well as the Federal government, in anywise lending their assistance to the production of paper

money. Not even so far as, in seeking a system that may admit of volume, of credit capital, without sacrificing security, they permit to be used, as a basis for an issue of dollar for dollar, property other than specie, as under the general banking law of the State of New York. By the provisions of this law, state stocks and mortgages are permitted to be deposited by any person with the Comptroller, who issues the bills.

Under this system abuses have been practised, by means of purchasing with the bills additional stock, and upon the addition getting a new issue of bills; in this manner, making credit to reproduce itself in arithmetical progression, instead of effecting a production of real capital; meanwhile enriching the money producer by means of a broad series of issues with only a small basis of real value. Of course the result is a breaking down, and a widely spread loss to the consumers, the bill holders.

The issue of paper money upon a specie, or property basis, subject to partial, or entire redemption, furnishes of itself a large increase of credit. When another revolution of the wheel brings a further issue of paper money based solely upon credit, and a more widely spread series of credit is begotten of the first, the interests of the community are seriously jeopardized. Of this nature are the fiscal schemes which are occasionally put forward for the consideration of the general government, as panaceas for all the ills of trade, and which have a tendency to the centralization that is effected by a union of capital and state, wherein the feudalism of capital is prone to dominate over all other interests of the community.

The creation of money upon a credit basis is no new device. But the bits of paper being dependent upon the

*ipse dixit* of government for their value, are deprived of the advantage of the governing value of all, cost of production. The production of paper money upon the basis of state credit, or debt—which has a basis of fixed capital in the internal improvements—by individuals or companies authorized to do so, has been found to work badly. It has been infinitely more dangerous when governments have directly issued a currency based upon their own credit, either through the agency of their executive officers, or conjoined with a banking association. The history of the French Assignats, of the Austrian issues in 1812, and of the United States Bank, furnish testimony upon these points. It is known that the British government counterfeited the assignats in great quantities, and caused them to be put into circulation in France during the first revolution in that country, effecting a destruction of confidence, and accelerating the depreciation by which tens of thousands were robbed of their possessions.

I have referred to the system of government, collecting and disbursing its revenues in specie. Much complaint has been made of the stringent effects, and it may be considered a beneficial provision to modify its action by the admission of a few millions of Treasury Notes, now outstanding as part of the existing national debt, into permanent circulation through the receipts and disbursements of government dues and payments, as a means of preventing the unwieldy transmission of specie in exchanges, and the accumulation of large sums in the treasury of the general government, thereby affording relief to the money market by permitting its flow in the channels of business. The stringency has been beneficial, and whatever advantages such permission might confer, there would be great proba-

bility of their being neutralized by the letting up of that check upon bank expansion, which is the effect of government holding the specie. Also, the principle once admitted, the original sum might take the form of a nucleus, and such "amendments" and changes effected as would gradually run it into an engine potent for evil. With a public debt existing, such modification of the specie principle would doubtless be less dangerous than the practice of the general receipt and disbursement by government, of bank issues. But the public debt must, in time, be extinguished, and there is something ridiculous in a debt being kept up for furnishing a representative in which government may collect its dues. There is reason to doubt the necessity of such a treasury note addition to the money of the country for the purposes of business relief. On a proper examination of the subject, it will be seen, that on a much more extended scale than the previously cited case of the business at New Orleans, the specie retained in this and other countries has been greater, that is to say, the amount circulated for purposes of trade, has been less in years of large exchange, than in years of small.\* Hence it would

	*	England.	France.	N. York.	Total specie in banks.
" Jan.	1842	26,010,000	41,230,000	4,074,601	71,314,601
"	1843	54,665,000	43,182,000	6,174,317	104,021,317
"	1844	81,610,000	52,600,220	10,206,542	144,416,762
"	1845	70,920,000	48,965,048	6,893,236	126,778,284
"	1846	65,172,200	47,250,100	8,361,383	120,783,683
"	1847	72,130,240	14,913,967	9,191,254	96,235,461
"	1848	65,371,820	36,182,734	6,751,338	108,305,892

"The largest amount held by all the banks was in 1844, and that was a year of general prosperity. The amount of specie then in the institutions being large, a less quantity was of course in circulation. In October, 1847, however, after the disastrous failures and loss of confidence in England, specie became in demand for use, and it left the bank vaults."—*DeBow's Commercial Review*.

appear, that there is much specie lying out of use, in seasons of large business, and that enough is in existence for the necessary purposes of settling balances of trade. And, for the purpose of facilitating the transmission of funds, it appears that the use of individual credits and means is sufficient.

In fact, it is by means of individual credits that business is principally carried on, the proportion of not only specie but of any money in use being small compared with the money of account, promissory notes, and bills of exchange, that enter into the transactions of trade, besides the large proportion of barter that enters into the trade of individuals as it constitutes that of nations. When the individual credit diminishes and exchanges are smaller, the specie is drawn out into action, and, as *real* money, takes the place, as far as it goes, of the money of account, supplying the place of the diminution. This it goes far enough to do if business has been sound and credit is not much impaired ; but if it has been speculative and enlarged by banking credits, the amount of specie has been found to be insufficient to fill the vacuum created by the withdrawal of a large amount of credit. Under these circumstances an amount of paper money to act in conjunction with the specie as real money is wanted to fill up the vacuum. But how to get it ? Unfortunately banks, at such times, when interest is high, contract instead of expanding their issues ; they must also be cautious, then, when general credit is low, how they expend their capital, lest they be shipwrecked ! Would a national bank, so strong as to be able to lend, at such times, on property security, at a low rate of interest, and meet the exigencies of the case, be desirable ? This country will never invest the control of

its capital in the State. The resource seems to be to keep up the stringent specie checks upon expansions, in the hope that the knowledge of how small is the volume in existence for filling a vacuum will prevent the conduct that leads to the creation of a great one. How far it will do so is to be estimated from what has been previously stated as the result of past experience. It limits the extent of the vacuum, though it will not set aside the causes which originally operate in its creation.

But the present mixed currency could not be rapidly reduced to one solely of specie without loss. The appreciation in the value of money would involve the stoppage of industrial enterprises in progress, raise the cost of all production, and in all respects operate in like manner as does the contraction following a speculative inflation, which is no more or less than the effect of an appreciation of money. Depreciation of money, on the other hand, involves a loss in the returns coming to creditors for all debts due to them, also in all coming or to come to fund-holders for previous investments, to all dependent upon fixed incomes and not upon profits. In the appreciation and depreciation of money lies the problem of the currency. Is anything left for us to do but this?—leaving existing charters alone to die out gradually, to allow the standard of legal tender to remain as it is in gold and silver, and permit individual credit to oscillate about that centre under the influence of the opposing forces of confidence and distrust acting between individuals, who will be abundantly able to protect themselves, the non-interference of legislation not guaranteeing monopolies, and permitting *free trade in banking*.

When the reduction, supposing it to be made had,

come to an end, and no money existed in the country but gold and silver, then, if all credit was abolished (the hypothesis is admissible), and the value of all property was reduced to the sum of specie, appreciation would continue. With the increase of property by production the value of money would rise, whilst that of commodities and property would cheapen. There would not necessarily be any check to production; the money, when business required, would rapidly change hands, and would *tell* largely in proportion to its amount, the receipts at any given time of the same amount of gold or silver being equivalent to what would have been the receipt of a greater amount antecedently, and it purchasing more commodities, all the incentives to its acquisition would exist, and the enlarged return to it of commodities and property would furnish means for renewed increase of production. There would be no necessity for the currency to expand with the increase of production or of business. Once settled upon the basis of specie with no expansive currency nor credit, and from that point onward the appreciation in the value of the currency would not cause any losses nor diminish production. Even then, credit, so far as individuals chose to accord it to each other, would needs exist to oscillate as before said, and we arrive again at the free trade conclusion announced at the close of the last paragraph. The currency being of specie, and assuming the amount of paper to be less under the free than the monopoly system, prices would be low, and gold and silver would flow into the country from all others with which it traded, and who substituted a paper currency valuable only at home for one of specie.

With free trade in banking the amount of paper *would*

be less, inasmuch as in the absence of any chartered guarantee, individuals being watchful to protect themselves, their doubts would come into play where evidence of tangible value did not exist. There would at least be no charter to lull their watchfulness into security under the false impression that the State was taking care of their interests ; and that, therefore, the *institution's* promises must be good, else it would not have been chartered to make the money, and could not have a show of responsible names figuring at the tail of a million of nominal capital. Less paper would be circulated, as "shinplasters" would fall into general disrepute, and their gradual disappearance followed by a circulation entirely of specie, individual credit, then as now furnishing its bills of exchange, &c., would probably be the result of free banking.

The recent development of gold in California furnishes a prospect for the supply necessary to cover the subtraction from circulation of much of the paper now in use throughout the United States ; provided the establishment of a mint for drawing the metal into our coinage secures the gold to the home circulation, that is to say, so far as the existing custom of trade regulating the *quantum* of circulating medium, would require its appropriation to domestic use. If paper money is retained as such *quantum*, of course the gold will flow out to distribute itself among the nations of the world. Of about \$200,000,000 currency employed in the United States, probably \$125,000,000 is composed of paper, and \$75,000,000 of specie. The requisite supply for taking the place of the paper may be obtained from present appearances during the next decade, and its substitution through the joint action of coinage by our

\* This work is dated Dec 1878

mints, and the extinguishment of paper, is desirable, so far at least as the expiration of bank charters and the withholding from granting new ones render it practicable. The new-born States upon the Pacific will scarcely practise the gratuitous folly of getting up a paper currency when exporting the precious metals.

The free system appears to be the only alternative, unless a currency be adopted that shall be preferred, because it does not possess the fixed character of gold, the additions to which in long terms of years about equal the reduction from quantity by wear, loss, and manufactured consumption. Such a currency, sought for its singleness of quality, the relative value, must not be based upon specie, lest the influx and efflux of the basis to meet the requirements of trade in adjusting temporary balances affect its security, value, and action. The domestic money would need to be severed entirely from the exportable commodity of money, no connexion existing between them, and the principle of Lycurgus put in practice which prohibited the use of gold and silver as money, substituting leather and iron, which had no intrinsic value, compared with that they represented: a principle recognised by Plato, who would have the coin of "value among the members of the state, but no value to the rest of the world." The quantity must needs be immense, as a grand object of such a system is the mobilization of all the property in a country; it would be capable of extension to represent, not only the annual productions, say 2000 millions of dollars value; but also the fixed capital of land, &c., which bears a value proportioned to the production, as principal does to interest, extending the valuation to not less than ten fold,

say \$20,000,000,000, now represented by one-hundredth part that sum.

Not possessing the specie fixidity, it must increase in quantity with the increase of production, with the capital it represents. It must expand with the dulness, and contract with the briskness of trade, because, when business is slow, a large sum of money represents less than when it changes hands frequently, in a lively traffic. It must also—paradoxically with the necessity for increased quantity keeping pace with the production it represents—expand with diminished, and contract with increased supply of commodities; for this currency is to be wealth that is expected to supply the shortcomings of real wealth, and keep all industrial enterprises of production, exchange, and consumption at a regular pace, drilled by the strictest financial tactics. Unless the money does these completely, there is no gain to compensate for the change from the indeciduous and fixed character of specie, to and from which values may advance and recede, as supplies of commodities increase or diminish, and which always possesses a reliable and universally acknowledged value. No merely human prescience or power could so manage a paper currency that it should exercise the necessary elastic functions at all times, in exact pace with the movements of supply, demand, and production. If such currency be furnished by a number of chartered producers, it must be remembered that fraud and insecurity have heretofore eluded all efforts to bind them. If it be supplied by the government from a national institution, the dangerous power placed in the hands of government is entirely at variance with republican principles, which would leave to the people the control of the elements of production as well as the vital

fluid whose circulation keeps these elements active. Yet by the state only could such a system be originated and controlled.

Recurring to the objection that free trade operates injuriously upon the currency, it has probably been made sufficiently clear to the reader who has traced the subject thus far, that free trade is international in its effects as well as national, while currency is, in its operations, not exclusively a national affair. The received dogma is that the foreign trade is, to a certain extent, carried on independently of the internal currency, provided there be a sufficiency of specie always in the country to meet the requirements of trade for its exportation as a commodity, to supply the deficiency in other commodities. The currency at home being secure, and of such a character as to involve the retention of a sufficiency of the representative of value universally acknowledged as such throughout the world, and not subject to the enlarged contractions contingent upon a small diminution of the basis, the fluctuations of trade will only slightly and temporarily derange it.

And in the above proviso lies the difficulty. Can the *currency* be other than a *commodity*? When the powers of nature are daily developing themselves to break down the barriers between nations, and the restrictions upon trade are dissolving before the light of a brightening intelligence, as the sun that climbs above the mountain tops dissolves the fog of the valley, can a medium of circulation that represents commodities in one country, that buys and sells at home, be entirely severed from connexion with, be distinct in character from that which will as a commodity buy and sell of another country? These requisites, can they be dispensed with anywhere save in Plato's

model republic, or More's Utopia ? True, I have said that the balance of trade was *non est*, and that the traffic of the world was products for products, not a buying with and selling for specie ; but balances are speedily adjusted by the equation of international exchanges, and specie is a product ; hence the propositions do not conflict ; nor do the conclusions.

The requisites appear to be embodied in specie only, which, distributed by the movements of trade throughout the world, accommodates itself to the natural wants of traffic, as if it were purely a trade of barter ; and, as the currency permeates all the avenues of the social system, and is the medium of all transactions, small and great alike, therefore, the internal currency is so far allied with the external, that an unity of character appears to be requisite in order to prevent derangement of its action from the fluctuations of trade.

Hence we understand, that if the currency is properly constituted, the fluctuations of international exchanges will prove comparatively innoxious ; and that free trade could co-operate injuriously with the currency beyond the first effects, which would be limited, only when the latter was in fault, a condition from which restricted trade would not be exempt. So far from being exempt, a restricted trade is fraught with injurious effects whether the currency be sound or expansive. Currency being the same under both the regimes of free trade and protection, the fluctuations will be most frequent and injurious under the latter.

Under the combined action of a high tariff, and of an expansive paper currency, both raising the prices of com-

modities in the country, the foreign manufacturer can profitably bring in his productions, which low prices here would have kept out. Our productions being high, he will not take them, but withdraws the specie from the country. A diminution of the basis of the paper money causes a contraction of the currency, wages fall, and general distress prevails.

High tariffs and a paper currency have proved to be alike anti-cheapening processes.

Effects have been confusedly charged upon free trade, which were properly attributable to enterprise, accumulation of capital, and an unsound currency ; and this allegation has called forth what has here been advanced upon the theory and practice of currency.

Restricted importations and checked exportations cripple trade and reduce nations to a weakened condition, where they are sensitive to a degree that excites every symptom to a crisis. The advocates of protection favor its existence in order to avoid the possible contingency of a currency derangement, from a possible excess of importations over exportations. At least with a sound currency and free exchange there are no contractions and expansions, as a result of a diminution of specie in a country, succeeding such diminution, and creating the evil supposed to be the immediate effect of the diminution of specie.

The immediate effects of the rising and falling in the waves of trade are not prolonged with additions, as by an expansive paper currency. These risings and fallings are of themselves but as the first ripples that immediately surround the spot where the stone is cast into the ocean ; but the peculiar nature of this elastic currency carries the

movement onward, spreading like the outermost far reaching circles whose effects have been said by natural philosophers to extend to the remotest depths and the most distant margins of the invaded sea.

LIBRARY  
UNIVERSITY OF  
CALIFORNIA.

## XIV.

### LABOR AND MATERIAL.

FAILING to establish other objections, Protection seeks to resolve itself into this theory. That all commodities are composed of labor and material, and in an article received, if labor predominates, material must be small, and *vice versa*: That the larger the proportion of labor to material, the more profitable the exportation, whilst the greater the proportion of material to labor, the more profitable the importation. That wealth being the result of labor, it is thence the interest of a nation to export of those commodities which are manufactured, and of small bulk in proportion to the value, and import those which are the reverse, containing much material. They would, therefore, place a high duty on manufactured articles, and a low one on raw material. The conclusion to be drawn from this is, that if a nation pursue a contrary course of policy, it will soon have unemployed population, and become poor in articles for consumption.

This is certainly, in appearance, very alarming, and, provided the theory be correct, if we inhabitants of Young America continue to send to England and France, heavy bales of cotton and barrels of flour, in exchange for their

cloths, silks, and cutlery, we must soon be reduced to starvation !

But we will hope that the theory is entirely unfounded, and a protective delusion. I do not believe that the difference, as here assumed, between material and labor exists. All things adapted to human wants, are impregnated with human labor. In the bale of cotton of 500 pounds weight, sent to France in exchange for a pound of lace, few would probably pretend that the labor expended upon its planting, hoeing, picking, ginning, and compressing, was less than that expended afterwards in spinning, weaving, and making it into lace. So with other articles of breadstuffs and tobacco ; and their very bulk involves a large item of human labor in handling and transportation. In the pound of lace, an amount of labor probably not less great was expended in the production, when we consider the shops, fuel, artisans, their feeding, clothing, art-education, &c.

Commodities are not exchanged pound for pound, but value for equal value, and as value is the product of labor, there must be, in the articles exchanged, an equal amount of labor invested. If the labor be equal, the remainder of material must be equal, each to each, in the two articles exchanged. Of a whole of 10 parts, if the labor in the cotton bale be 6 parts, and in the cotton lace 6 parts, the balance must be material, and be 4 parts in each.

And what is the material ? The gift of Providence to the soil and climate of the country. Now apply the touchstone of Free Trade, and what is the result ? That each nation gives to all the others the natural gifts placed at its disposition ; in exchanging gratuitously their natural products, each pays for nothing but the labor. If there is

less labor, as there must be, when, under the regime of *free exchange*, all production finds its natural bias, there will be less to pay, and all the world will be the gainers, and be able to enjoy of all things a greater measure.

Agricultural production is capable in this country of a wide expansion ; and the labor expended upon it need not be less diligent, nor less fruitful of its own reward, than that employed in manufactures. It has its own peculiar advantages also. The same principle that would exclude the importation of foreign manufactures, for which we exchange home agricultural products, would, if extended, forbid exportation of the agricultural products. Its advocates might say, and have said, that such prohibition of the exportation of home produced breadstuffs and provisions, would diminish the price, and make these prime necessities plenty at home. But other commodities necessary to consumption would rise in turn—one set of values going up, and another going down ; and this vicious policy would have the effect of discouraging production, as we have before seen. It is the increase of production we require. Free trade firmly opposes all those absurd and suicidal measures that would diminish quantity and promote scarcity.

For a moment suppose that an exchange of much material against little labor could be made. Man labors for the result of production in order to consume, and not for love of labor in the abstract. The greater the result in proportion to his labor, the more completely his requirements are met. If he give much labor in exchange for few products, it would seem to be more consistent with the loss claimed to be sustained, than when little labor is given in exchange for a large product.

## X V

### COMMERCE.

WHAT does free trade effect? It opens additional markets for the disposition of the produce of man's labor. And what stimulant to man's industry is more powerful than the presentation of a market for the product of his industry? Whatever his occupation, his energies start into effective exertion whenever a customer, an employer, a client, or a patient, presents himself to take the product of his labor and give return therefor.

Furnish a market, and labor and capital will make the earth to yield up her riches; bring forward competition, and what she yields will be cheapened and the quality improved. All this is simple as truth ever is, and would be operating always for the benefit of humanity, if man did not attempt and succeed but too well in governing too much.

To supply those markets, to develope herself in this medium of exchange, is the part of commerce. In all ages it is Commerce who has gathered into her embrace the riches of the world. All those nations who have become the eminently great of their time, otherwise than by barbarous force of arms, Tyre, Sidon, Corinth, Carthage,

Venice, and Great Britain, have risen upon the pinions of the white-winged bark of trade.

Trading with other countries under the system of free trade that exists between a nation and its colonies, her commerce enriched Tyre, the great city of the Phœnicians, the merchant people of the ancient time. In the language of the historian Heeren, “the ports of their colonies were open to them, and they enjoyed for centuries all the valuable blessings which a peaceable and undisturbed commerce is wont to bestow.” When “their numerous fleets were scattered over the Indian and Atlantic Ocean, and the Tyrean pennant waved at the same time on the coasts of Britain and on the shores of Ceylon.” In the words of the inspired Hebrew, it is handed down to us respecting the greatness and the wealth of Tyre: “By thy great wisdom and by thy traffic, hast thou increased thy riches. Thou hast been in Eden, the garden of God; every precious stone was thy covering, the sardius, topaz, and the diamond, the beryl, the onyx, and the jasper, the sapphire, the emerald, and the carbuncle, and gold.”—Ezekiel xxviii. 5, 13.

By making themselves merely the carriers for effecting exchanges between producing countries, nations have become eminently great. How brilliant the prospects of the United States appear when we reflect that she not only commands a great and growing carrying trade, but is also the producer of the great staples for the markets of the world! “Every precious stone” will yet be her “covering.” And, what is of greater value, every intellectual and moral blessing will be the light of her candle. May it not be hidden beneath the bushel of Restriction!

The people of a country may be unconscious of the

existence or indifferent to the development of their capacities and that of the country, when the opening of trade with another country and its extension, through the withdrawal of restriction, will rouse them to productive action, that gives to the world an addition of wealth. Doctor Franklin relates the circumstance of an importation from Philadelphia into a country place of a new species of head-dress ; that, upon its appearance one Sunday in church, the admiration of the girls was so excited that they set to work knitting stockings, which they sent to Philadelphia for sale, and thereby supplied themselves with the desired article. The world was doubtless the gainer to the extent of those stockings, which would not otherwise have been produced.

Says Mr. Mill, " Much as the collective industry of the earth is likely to be increased in efficiency by the extension of science and of the industrial arts, a still more active source of increased cheapness of production will be found, probably, for some time to come, in the gradually unfolding consequences of Free Trade, and in the increasing scale on which emigration and colonization will be carried on."

The saving to consumers, by importing what could be produced cheaper elsewhere, is the gain effected by commerce. If existing protection be removed, the capital before unprofitably invested in hothouses and other forcing apparatus, will be withdrawn, and invested in shipping and commerce. It then induces a migration of labor and capital to regions adapted to the production of varieties not so advantageously produced where they sojourned before.

Commerce and its effects must improve the *physique* of

the globe, drain waste lands and disease-engendering marshes, and reclaim for smiling fields and health-breathing meadows, whereon to produce new abundance, vast regions, before exhaling poisonous miasmata. Abundance will thus distribute labor, and labor distributed, effects additional conquests of antagonists, creates abundance in new directions, and, in distributing this new abundance, improves anew the condition of mankind.

Isolated as our continent is, to restrict exchange is truly to invade the sea, for it is the domain of our commerce. The richly freighted vessel, under the triumphant reign of protection, would be swept, as by a tornado, from the surface of the ocean ; and sailless masts, rising from decaying hulks, would give to our harbors the aspect of the scathed forest that the destroying element had robbed of all its green and vigorous life. Without commerce, would the city itself have existed ? Would anything beyond a small town have stood where broad avenues, lined with palatial edifices, are annually stretching their lengthened miles deeper into the recesses of once primitive Manhattan ?

Commerce, under free exchange, is to humanity what the gospel, with its ever-gushing well-spring of eternal life, is to the dark heathen and to the suffering Christian. One sheds light upon and enriches the material existence, as the other illumines the spiritual life of man. Cherish Commerce ! Art and Science are as the print of her footsteps ; and civilization as the breath of her nostrils !

Man, if left to himself, is prone to run his better as well as his worse qualities, into excess, that converts the good into faults, not less injurious than those that were originally evil. The comparison of opinions and customs, and of the

results of experience, with those of others placed in different circumstances, is necessary to his improvement. Every nation may gain something in point of arts, customs, morals, or characteristics, from others. With the more intimate knitting of commercial relations, political sympathies will be diffused to strengthen the bonds of amity and concord ; for the community of interest which operates under the regime of trade, infuses the fraternal spirit that moral influences alone would not suffice to establish.

It is asserted by protectionists, that foreign pauper labor is overcrowding the labor of the United States, and that the ignorance of those uneducated masses is likely to drag down American intelligence to its own level, " whole armies of vagabonds and felons palsying our hands and chaining our intellects." Where does this theory lead to ? this theory that renounces the common sentiment of humanity, whilst it despairs of hope in our institutions and in our people ! It proclaims that evil is more powerful than good, that the world is retrograding, fast travelling backward on the way to barbarism in the moral, and a desert in the physical organism. Instead of retrograding, the world is advancing. The immigration to this country is improving the race. The energy, the activity, the physical and mental power of the people, derive new nourishment from the amalgamation of those varieties of the Caucasian race the old world is pouring upon our shores. Under the dominion of universal free exchange, the increase of an effective population, acquainted with the arts, will see every country provided with railways, and the means of communication multiplied to an indefinite extent. All of these causes and their effects will increase.

Instead of being confined to a few channels, there will be a thousand streams between all countries composed of the races crossing each other, mingling and commingling in commercial intercourse, to the constant improvement, physical and mental, of mankind.

Have we looked very far into the future? We have permitted ourselves to idealize. The ultimate of every act of man is the ideal. From the smallest to the greatest, the ideal is the object sought; the means alone are of the practical. Whether he labors to acquire material wealth, or seeks alone for those riches that "neither moth nor rust doth corrupt," or strives after the "bubble reputation," the goal is the ideal. Those who would scorn the ideal that enters into the subject under treatment of the essayist, would prove themselves but shallow reasoners, who reject, or see but half the object brought before them. So the means be practicable, it need not damp the zeal of any lover of humanity, if there be an ideal at the end of his work.

As, under all the varieties of development, their psychological character is identical, and the ethnological facts furnish testimony for the reasonable deduction that, under those more refined influences surrounding the superior type of the elliptic craniological development, the inferior generally tend more or less towards assumption of the superior form, it is no impracticable theory that free exchange will labor in commercial intercourse to realize. As an efficient agent, its effects will bear upon that tendency as far as its realization may be achieved in the improvement of the races; and thus by means of commerce will be promoted the civilization that paves the way for and co-operates with Christianity in redeeming mankind from whatever of the

brutal clings to human nature. Individuals are distinct, but humanity is one.

The restrictions, all the artificial impediments interposed by misgoverning governments, will fail to interfere permanently between the nations at a time when immortal mind is bringing forth the subtle and powerful elements that generate in nature's laboratory ; and, by applying them to their uses, the nations are being brought together as if side by side ; when space has been swept away, as it were, from off the face of earth, and time has been annihilated, as though to teach mankind the lesson that eternity alone endures !

At a time when the universe and its great mysteries are becoming easy lessons in the hand of science ; when, sitting in the deep recesses of his study, the astronomer calculates with mathematical correctness the causes and effects attaching to systems of created worlds ; emerging, he waves aloft the wand of science ; and, wizard-like, proclaims to an astonished world the sublime decree—at yonder point in space, never yet seen by earthly eyes, 3,000,000,000 of miles distant, to-day a globe is moving in its orbit ; and, as though called into being by his mighty fiat, lo, it is ! He has declared its superficies and its weight, the length of its years and its days, its condition and its purposes ; and behold in his decrees the laws Omniscience has established ! With a glance he spans the roll of ages, the work and fate of worlds ! He backward casts his gaze, and declares that the ray of light now shed upon us by a distant planet, though travelling with the inconceivable velocity of 213,000 miles in a second, has been journeying on its way 60,000 years ere it reached us ! 'Tis thus he seems to take the measure of infinity.

Such are the facts of the practical that guarantee whatever of idealization we may indulge in.

To be sufficient unto ourselves, to sow for the uses of manufacturing operatives, to spin for the uses of the sowers, to confine ourselves within the narrow round of a perpetually contracting circle, to find ourselves, as it were, writhing within the contracting folds of the huge serpent, protection, is the way to stifle our commerce, and foolishly cast away the proffered aid of this wealth-dispensing agent of exchange.

Facts of our own experience have, in "figures" that "never lie," already taught whosoever is not wilfully obtuse, the effect of free trade upon commerce. Official statistics show the increase of tonnage of the United States, from 1842 to 1846, a period of high tariff dominion, to have been 5.61 per cent. per annum; and that from 1846 to 1847, one year of reduced tariff, it was 10.81 per cent.; and from 1847 to 1848, it was 10.97 per cent. They also show that the imports and exports for the fiscal year 1846, that is to say, the sum total of our foreign exchanges, was in value \$235,179,613. The same for 1847, was \$305,194,260. Increase \$70,014,647. The increase of our population is 3 per cent. per annum. We find the tonnage to have increased nearly 100 per cent., and the exchanges of commodities with foreign countries at the rate of 30 per cent. This increase of 97 per cent. of shipping trade over and above the regular increase of this trade that would grow out of the increase of population, and this increase of 27 per cent. in the exchange of commodities over and above the increase of our consuming population, are principally attributable to the enhanced cheapness of the commodities enabling the population to consume greater quantities.

This cheapness is, in this instance, an effect of the reduction of duties which took place at the beginning of the fiscal year 1847, and marks decisively the favorable influence of free trade upon a country. It cannot be alleged that it is the effect of the cheapening agents of improved machinery, &c., as, if so, the manufacturers would find these agencies sufficient assistance in furthering their measures of competition against foreign production, and surely they would not call for protective tariffs to aid them.

There was no increase of coastwise tonnage by which to prove that, while our foreign exchanges were diminished under high tariffs, the domestic were increased ; but on the contrary there was a diminution, which proves that the domestic trade suffered from the oppression of a high tariff as well as the foreign. The increase of coastwise tonnage from 1842 to 1846 was 6.45 per cent. per annum, and from 1846 to 1847, it was 13.15 per cent. Statistics prove that these results of tonnage and exchanges are not singular with the periods named, but have invariably risen and fallen in the like manner with the several cycles of high and low duties that have prevailed in this country. The ship building was larger in 1847 than in any previous year, and wages rose twenty per cent.

It is repeatedly urged by protectionists, that free trade should not be practised by the U. States with Great Britain, because, by her navigation laws, she draws to herself all the carrying trade, and the effect of free exchanges is, to build up her shipping and destroy ours. The experience of the past two years has established the reverse of this to be true. Our tonnage has increased, as stated, and Great Britain's has fallen off. In 1847, her total tonnage employed

in foreign trade, inward and outward, was 7,100,786 tons. In 1848, the amount was 6,675,381 tons.

Under the freest of systems that could be practised, American shipping would have no more to fear than many other branches of American industry. The Liverpool Times notes the fact, that we have over 600 ships engaged in whaling, while England has but 17. Under the operation of that antidote for some of the evils wrought by high tariffs, the warehousing system, British colonial produce passes through our territory for transhipment from our ports, principally in American vessels, instead of taking British shipping from Canadian ports. Whether or not this fact will have any weight in hastening an alteration or further modification of England's navigation laws, is yet to be determined.

However it may be alleged that peculiar circumstances created an unusual demand for our products, it is evident to the most casual observer, that under a high restrictive *regime* the exchanges for 1847 would have been far less in amount. But the allegation falls to the ground, and fails in its object of proving that famine abroad, and not the diminished restriction upon international exchanges, caused the increase in exportation in our products, when the comparison is extended to include the year 1848, a year succeeding a large crop in Great Britain, and embracing a period to which could not possibly attach the assumption of the famine cause. The Treasury report shows the exports of our products during the first two years of the low tariff of 1846, to have exceeded those of the two preceding years under the high tariff of 1842, 80,605,181 dollars.

The falsity of the assumption by protectionists, that the

large increase of our exchanges of commodities in 1847, was solely the effect of an extraordinary demand for our breadstuffs, caused by the famine prevailing that year in Ireland, is thus exposed by the report of the Secretary of the Treasury for 1847, and its accompanying tables.

"It is said that the famine in Ireland was the sole cause of our late large export of breadstuffs and provisions. Now, from 1790 the values are not given so as to be stated in amounts, but the quantities are ; and these prove that, even omitting the last year altogether, and comparing the low duty periods from 1790 to 1807, and from 1833 to 1842, with the years of protection from 1817 to 1832, and from 1842 to 1846, the average export of breadstuffs and provisions was much larger in the years of low as compared with high duties, especially considering the difference of population."

It is interesting in this connexion, to glance at what would be the effect upon the commerce of this country if it should adopt entire free trade, reciprocated by all the world. This cannot be better done than by quoting from the report. "We see then here, under the system of free trade among the States of the Union, an interchange of products of the annual value of at least \$500,000,000 among our 21 millions of people ; whilst our total exchanges, including imports and exports, with all the world besides, containing a population of *a thousand millions*, was last year \$305,194,260, yet the exchanges between our States, consisting of a population of 21 millions, being of the yearly value of \$500,000,000 exchanged, make such exchange in our own country equal to \$23.81 per individual annually of our own products, and reduce the exchange of our own foreign products (our imports and

exports), considered as \$300,000,000 with all the rest of the world, to the annual value of thirty cents to each individual. That is, one person of the Union receives and exchanges annually of our own products as much as 79 persons of other countries."

We here see "ample room and verge enough" for an almost infinite expansion, should no other restrictions exist, to check the growth of mutual exchange.

When transportation is the only antagonist to overcome, how great the trade compared with that which has to combat restriction also:—

"The average freight from the Ohio river to Baltimore is greater than from the same place to Liverpool; yet the annual exchanges of products between the Ohio and Baltimore exceed by many millions that between Baltimore and Liverpool. The Canadas and adjacent provinces upon our borders, with a population less than two millions, exchange imports and exports with us less in amount than the State of Connecticut, with a population of 300,000; showing that, if these provinces were united with us by free trade, our annual exchanges with them would rise to \$40,000,000. It is not the freight, then, that creates the chief obstacle to interchanges of products between ourselves and foreign countries, but the duties."

It is the mighty gulf which protection has digged broad and deep with the implements of wrong between a market with twenty-three millions of customers, and one that is swarming with a thousand millions, that free trade would span with a bridge of wealth for the progressive travel of our country.

## XVI.

### PROTECTION NEUTRALIZES GIFTS OF PROVIDENCE.

THAT protection neutralizes the benefits that might be derived from a country's natural advantages may be seen by the following illustration. It is well known that the United States abounds in fertile sugar lands. The sugar of Cuba comes in largely to compete with the production from these lands. Assume, that instead of seeking, by improved processes and economy, to maintain a successful competition, our sugar makers procure the imposition of a highly protective tariff. It results that for a short time the business yields large profits. But with profits rises the value of the land especially adapted to sugar making. The enhanced cost of this natural agent of production, the rise in rent where hired, or the rise in amount of interest where it is owned as an investment of capital, reduces the profit yielded by the sugar ; that is, the rate of profit on the capital (and the wages of labor, if it be free, by which means capital saves itself at labor's expense) is lowered. Then the sugar producers, instead of being ready to dispense with protection, are preparing to ask for more, in order to effect a rise in the price of sugar equivalent to that in the value of land. The protection accorded to them has thus

defeated its own object, and neutralized the natural advantage of land specially adapted to the sugar culture, that had originally been furnished to the planter *gratuitously* by a kind providence. The sum of rise in value of the land is contributed by the consumers of sugar, who are thus far losers, whilst the sugar producer is not benefited by their contributions, except it be in the capacity of land-monopolist.

But the protectionist, true to a narrowed instinct, may say that protection exists and cannot be removed; that these improved processes are not already in possession of the sugar maker; and, upon protection being taken off, foreign sugar would pour into the country, and he, unable to compete, would meantime be ruined, and his property brought to the hammer. Nothing so shocking would ensue as is presented to us by the pictures opponents of free trade conjure up. Free trade would not prove to be an earthquake, opening wide the earth to swallow up land, houses, and all possessions, and leave the quondam producer a ruined wretch, alone in all the world upon the brink of the vast chasm, standing in unutterable desolation and despair, to mourn an irrecoverable loss. No, the consuming millions are around him; land, capital, labor, all exist to minister with profit to their wants.

The propriety of removing chronic diseases by gradual processes is well understood. Gradual reduction is a means of avoiding reactions. In some instances, where extensive establishments and the habit of large expenditures prevented prompt retrenching to a safe business, the gradual removal of protection would give time for these improvements, and the turning of capital into more profitable channels. If under a too rapid reduction they

were sold, the lands would be purchased at reduced rates, that would be fixed with reference to the amount of profit to be yielded by the sugar produced from them. In short, because an attempt to force natural laws out of their proper bias operates nationally, as it does internationally, under our hypothesis a depreciation of the capital in lands would ensue, to meet the smaller profit its use would yield, and it would fall back from the unnatural height to which it had been forced by protection to its original true and healthy value. We are probably to witness this process operating with the property of the English landed aristocracy, under the influence of the corn law abolition.

The same effect is produced as if a reduction in the hours of labor were to diminish the planter's profits, from whence a like depreciation would ensue. The reduction is certain to produce this effect with free labor also, unless the pressure of growing population, ignorance, and protection in its several forms, are in force, to operate against labor and filch from it the natural reward. In both cases, then, of reduced protection and reduced hours, the loss falls upon capital, and the gain accrues to the benefit of labor, lightening the toil of the slave, and raising the remuneration of the hired laborer. And has not capital, so long protected, had long enough the lion's share? And whence should be drawn the supplies to fill up the shallows of unequal distribution, but from the gorged reservoirs protection has created?

The new purchasers, and also those who had continued in the business, do an uninflated, healthy business. The former proprietors would in these cases of retirement from sugar growing, invest their reduced capitals in other forms; many probably seeking the cotton culture, the

great staple of the world, in which no nation will ever compete with us to our detriment. Large capitals would be cut down, and a greater number of smaller capitalists be engaged in the various branches of industry. The effect is an equalization of fortunes, more consistent certainly with the spirit of democratic institutions, than the gigantic monopolies of agricultural and manufacturing interests that protection builds up. Admit there is a loss—one suffered by comparatively a few individuals—but there are, also, two gains; the immediate gain to the millions of consumers in the reduced cost to them of sugar; and the ultimate gain in the cheapening of the articles effected by the cheapness of sugar. Extend the application to include all commodities, and these effects of immediate and ultimate gain will be estimated by hundreds of millions. This is not the question of a class we would resolve, but a problem for the masses.

We have had some experience under an approximation to free trade. It shows that the sugar culture is one of our natural industrial adaptations, and would not be diminished by free trade. The effect of a recent approximation to free trade upon the sugar culture is thus explained by the official statistics. In 1846, the last fiscal year of the high tariff, we exported of brown sugar, 109,295 pounds. In 1847, the first fiscal year of the low tariff, the exportation was 388,057 pounds. St. Croix furnishes a superior quality of sugar, Porto Rico one somewhat inferior, the Southern United States a third, inferior to the Porto Rico. These various qualities all find purchasers and consumers in our own and other markets. We export of our coarser product to the West Indies, while we draw thence in return finer qualities.

We refine coarser sugars, and export greatly enlarged quantities.

A branch of agricultural industry is beginning to develope itself in this country, which promises to grow into importance and value. I allude to the grape culture. It appears, by reference to the report of the Patent Office for 1847, that an acre of land in a certain region may yield a profit of six thousand dollars upon sale of the wine produced. Assuming this to be the fact, it promises well; but, supposing that attempts be made to monopolize a natural facility, and, by protection, to force it into an extensive business, under the usual pretext that we must protect home productions against invasion, and foster each youthful branch of industry into mature strength, lo! it vanishes. The acre that will now yield a large profit, protected against foreign competition, rises to a corresponding value, its rent goes up; prices of the wine are kept proportionably high, consumption diminishes, and a stinted growth without any larger profits resulting from the high prices, is the fate of the new branch of agricultural industry upon which large anticipations had been built.

Unprotected, the competition of the foreign article brings down profits to a healthy level, keeps alive the energies of those engaged, prevents inordinate rise in the value of the land, rendering moderate profits ample interest on the capital, sufficient to pay a moderate rent; and, so far as this branch of industry is to be really profitably adapted to our country and people, admits of its growth, and no further. The maturity attained is the healthy strength of the child, that in the open air, and in rude contention with the elements, and with labor, grows into the man of iron muscle and of mental vigor, whose ener-

gies achieve the victories of a freeman's life. Not that maturity so immature, which so often yields the child of ease and luxury for all the dainty nursing that waited on its growth, a sad return of softened muscles, and the pitiable effeminacy that live alone by others' help.

Results as unprofitable would follow upon a similar improvement of another opportunity which offers for putting in practice the protective theory. It is recorded in the New York Journal of Commerce, that recently an importation has been made of a quantity of tea plants, for the purpose of attempting the cultivation of tea in the Southern States of the Union. Perhaps there is no one article that enters more largely into the consumption of the people of this country than tea, and in accordance with the doctrines of protection, its cultivation at home would be a desideratum unsurpassed by any other. Tea is now free, and it would be necessary to impose a revenue duty, say of 20, and an addition for protection of at least 50 per cent. The cost of tea would be raised to consumers from  $37\frac{1}{2}$  and 50 cents per pound to one dollar and upwards; but home production, furnishing business and fortunes for a few capitalists, would be fostered. The extensive trade with China that takes of our cottons, lead, ginseng, provisions, candles, &c., large amounts annually, would be destroyed, and the production of these articles diminish in a ratio with the increase of tea growing. Peter would be robbed to pay Paul, and consumption be robbed for the purpose of waste; but still protectionists, in the face of fact, would persist that home production was fostered and labor was encouraged. The commerce and shipping now in the China trade would receive a mortal wound, and ruin be widely spread among those extended

interests ; but home labor is benefited, repeat the protectionists, and the transportation outward of our cotton, lead, &c., and inward of the tea, would be saved. The tradesmen, shippers, and sailors, could leave their productive operations and go upon the tea plantations. True, their labor would not be half so effective as before, in the proportion of result to effort ; *but tea would be protected.*

Under free trade this, as well as other nations, will enjoy and profit by its peculiar advantages ; they will not be neutralized. Fears have been expressed of danger to our cotton-producing interests, from the successful appropriation by England of her East Indian possessions to the production of cotton for her own manufacturing purposes. Protectionists have thence reasoned, that we need a home manufacturing interest sufficiently large to work up all of our raw cotton, that we may suffer nothing by being shut out from its sale in the English market. This fear is illusory. Great Britain now sends five million pounds of cotton in the form of goods to that quarter more than she receives thence. I last year was shown, in the Manchester market, a specimen of the best article of Indian cotton yet furnished, and, after a careful examination, my own conclusion, drawn from a six years' acquaintance with the production of cotton, was substantiated by that of two eminent English manufacturers, one of them a member of the British parliament. It was evidently inferior in quality, particularly in point of staple, to the American ; so much so, as to make it apparent that our product would always occupy a position far in advance of the Indian in the world's markets, even should the doubtful experiment of its extensive production in India succeed in accordance with the expectation of the most sanguine. For all the

finer manufactures ours would be preferred. With our improved means of transportation, we possess advantages which we must hold over India; and England will be sensible of the good policy of holding to that American market for her manufactures, which she would be forced to relinquish to a great extent whenever she should discontinue taking our raw cotton. It is idle to fear that we can ever be supplanted in the production of the great staple.

It is melancholy to hear those economic oracles who, despising the gifts of a bountiful providence, declare in a year of large production that the supply of the necessities of life must be checked, in order that prices may recover an antecedent higher rate. It is false theory, that it is necessary to check production in order to find markets. If the product is increased, all markets being open, consumption will increase with it, because the purchasing power will increase in a direct ratio with the production.

In order to build up their manufacture at home, formerly the importation of silks was prohibited by England. In 1825 Huskisson got the prohibition taken off from foreign fabrics. In 1832 the manufacturers demanded an increase of duty on French silks; other parties called for a diminution. The latter prevailed. The cry of ruin was raised by manufacturers, that they could not compete with the superior and cheaper French article. They were told to study, to revise their designs, to strive in all ways to improve the quality of their fabrics. They did so. What is the result? England takes, it is true, twenty or thirty millions value in francs of silks from France, but she also exports about twenty millions, and France herself takes of English silks.

The truth is, that in the various countries and the several sections of countries, diverse aptitudes and circumstances of the people, soil, climate, &c., fit them each for the production of some of the many kinds, quantities, and styles of wares that are adapted to the varied necessities, tastes, and abilities of the various consuming sections of society. This great diversity in the industrial population will always exist; some being more skilful, and attaining greater perfection in one branch than another, and so around the circle of the arts. And the varieties in climate, and soil, and facilities for production, will in like manner favor the prosecution of one branch of industry in one, and of another branch in some other country.

“The superiority of the woven fabrics of Southern Europe over those of England, in the richness and clearness of many of their colors,” says an English economist, “is ascribed to the superior quality of the atmosphere, for which neither the knowledge of chemists, nor the skill of dyers, has been able to provide, in our hazy and damp climate, a complete equivalent.” And so it is around the circle of production, throughout the globe. In some regions, men require less aliment than in others, and production is thereby sustained at less cost. Under the incitement of the markets supplied by free exchange, each will be active in finding its own peculiar aptitudes, and will excel in those.

Providence has thus created the various facilities of time, place, aptitude, &c., in production, to match the same variety in consumption. If left to their own natural sagacity, each will find his *vis à vis*, to their own mutual advantage. These aptitudes, adaptations, and facilities, are all equally valuable gifts of Providence, with the im-

provements in the useful arts. The citizens of New York would not now scorn the use of the steamer that floats them up to Albany in 9 hours, and revert to the Dutch sloop that, under favorable circumstances, formerly made the voyage in 9 days. In 1824 or '25, it was proposed to construct the Liverpool and Manchester railway, that should convey passengers at the rate of eight miles an hour. A tempest of opposition was aroused, got up on all sides by canal owners, towns that supposed their existence depended on the patronage of stage-coaching, inn-keepers, coach owners, carriers, and fox hunters. It was declared that the country would be deserted by all but radicals, engineers, and manufacturers. The road was completed in 1830, and instead of eight miles, the speed was twenty. But no destruction followed. Money was plentiful, interest low ; and before 1835, nearly a dozen other lines of railways had sprung into existence. Some 20 years since, when it was proposed to establish a printing press in Madrid, for multiplying, at a cheapened rate, copies of music, the copyists, whose business it was to write the sheets, raised so great an uproar, that government abandoned the project. Even Spain would not hearken to that complaint of a contracted monopoly at this day ; and at some future day she will mount another step on the ladder of improvement, and adopt free trade.

Perhaps certain of those English silk manufacturers were ruined ; also, those North River sloop owners, captains, and sailors ; yes, even before this, those Spanish copyists may have been crushed beneath the tread of Progressive Improvement ; but, if so, each and all of them have since risen from the earth, with new strength, sown with the blow that momentarily prostrated them, where-

with they have wrought with fourfold power and effect, for their own and the general gain. They have not suffered irretrievably, for the improvements in machinery are gradual in their introduction, and effect the changes of increased production, and the casting out of employment, in a gradation of ratio, that brings about, through increased cheapness augmenting consumption, the end of increased demand for labor, without the serious injury being felt by those copyists, &c., of being entirely and suddenly thrown out of employment. The increased productions soon swell into a sum beyond the amount of fixed capital invested in the machinery, and create a circulating capital, that employs a progressively increasing amount of labor in production. The machinery is then seen to be operating in increasing capital to induce production, as we have seen free importations do it.

## XVII.

### RECIPROCITY.

MANY who admit the truth of the free trade principle doubt the expediency of adopting its practice without reciprocal action on the part of other nations. The objections to free trade lie against the influx of foreign products; our democracy permits the influx and attainment to citizenship of foreign population. In all the kindred movements should this country have awaited the action of others? The fathers of the revolution should not—aside from the resistance to oppression—surely have deferred the establishment of the democracy, and awaited the simultaneous action of other nations, through fear of their population flowing in upon us, and assuming a portion of the administration of the government.

If all wait for others to take the initiative, free exchange will never begin. Should we wait for other nations to abolish protective duties before we do so? Suppose the United States can raise corn so readily as to be able to afford it in the markets of Great Britain, our best customer, for 50 cents a bushel, the annual exportation amounting to 20,000,000 bushels. Also, that England can manufacture cloth for 50 cents a yard, of which we import 20,000,000 yards. We will impose no protective,

but only a revenue duty of 10 per cent. The 20,000,000 yards are then imported, at a cost to our consumers of \$11,000,000. Great Britain, however, imposes a duty of 20 per cent., 10 of it being protective. The 20,000,000 bushels of breadstuffs will cost the English consumers \$12,000,000. We are then the gainers over them by one million dollars, not a few manufacturers—but the mass of our consumers.

Is it objected that, no competition being maintained against them here by the protection of a tariff, the English manufacturers will charge their own high prices for the cloths? This will rectify itself by the operation of the simplest law of trade—demand regulates supply, capital existing to produce; competition regulates prices. Good prices procured thereupon, our demands will create enough competition to reduce prices to living profits; and the rate of these profits will be still further reduced, by the increased cheapness of living there effected by the abundance of corn sent. Food enters into the cost of production of all commodities—and it is, of all things, most essential, that food be abundant and cheap in a country, as then all its own productions of other kinds, and all the imports in exchange for its products, will be cheapened.

Will the protectionists say that Great Britain, keeping the protective duty on our corn, thus raising its cost and that of living, cannot afford us the cloth as cheaply as if she imposed no protective duty, and we are then paying a high price for her commodity, whilst receiving only a low one for our own? This is at once an admission of the free trade doctrine, that protection enhances the cost of all things to consumers, and produces a loss. Great Britain, by imposing a protective duty, increases the cost of food

and clothing to her own people, and the same to us, the loss to herself being much greater than ours. An evil exists, and it is created by protection. Would it improve matters to extend that evil by our adopting protection also? It would sound extremely illogical to say yes; and it would be a false reply as well. Yet this is the exact position in which those place themselves who call for protection, that we may not pay tribute to foreign nations, giving them high prices for what we might produce at home with protection. Who pays the high prices? The consuming masses. The only object sought is to divert their payment from the English to the American manufacturer. Here lies the deplorable error, in looking ever after the interest of producers, instead of consumers. The prices are not to be lowered. That is not by any means the intention.

To show the process by which matters would be made worse by our adoption of protection as a retaliatory measure, suppose we impose a protective duty of 10 per cent. on the cloths. The 20,000,000 yards used by the families of laborers, farmers, mechanics, &c., then cost \$12,000,000 instead of \$11,000,000. This is the immediate loss. The \$1,000,000 protective duty, with the rise in price of all the home manufactured and consumed of the cloths added, amounting probably to tenfold, has gone into the pockets of some few hundred, or mayhap few score, manufacturing capitalists. That they employ labor to make the cloths is no argument in favor of the system, because these laborers amount in all to only a few thousands, and without the protected cloth manufacture they would find employment in other pursuits.

The expenses of living being increased to consumers

here, they must have higher prices for their several products, their quotas of labor. The corn we send to England for the cloths is higher, and costing them more, their expenses of living are increased, and the cloths they make cost more to manufacture. We then have to pay more in turn for those cloths than we did before. Each consumer here pays another advance on the cloth he consumes. This is the ultimate loss. The duty imposed on their cloths has reacted upon us, and for one gain going into the pockets of a few our millions suffer two losses.

Thus is illustrated the theory of consumption, a science which is too little studied, and should be regarded with that reverence borne towards the sacred and inalienable rights of man, as represented by the eternally-worshipped justice.

The effects of production determine ultimately upon the consumer.

Under the opposite process of reduction extending to all commodities, leaving them free to enter, would those nations of whom we took them not receive ours in exchange? They could not avoid it, inasmuch as the discontinuance or refusal to do so would necessarily involve a cessation of their sales to us; and thus the protectionist's aim would be attained—we would be forced into home production for our consumption. And would we not produce the wherewithal to exchange for the enlarged quantity of their commodities consumed by us? We could not fail to do so, inasmuch as consumption is the procreating principle of production.

We may now observe some of the visible effects of free trade independent of reciprocity.

Our tariff of 1846 created comparative free trade, that is, it largely diminished protection, when it reduced the

duty on woollen cloths to three-fourths of what it had been under the previous tariff of 1842; on sugar to less than one-half; and on cotton manufactures to one-third. There was a loud cry of ruin from these and other interests, that rang dolefully through the land. These prophecies have not been realized. So with other interests thus affected by the tariff of 1846. A further reduction would raise the same cry, and with the same result of non-realization. In some cases there was reciprocity on the part of the countries, but in other cases there was not, as in sugars, any reciprocal action on the part of the nation exchanging products with us; and yet those sugar and other producing interests are still flourishing.

That these statements of protectionists are, many of them, eminently false, and sometimes uttered from purely selfish motives, is evident from the fact that since 1846 a town built with manufacturing capital, devoted to manufacturing purposes, and filled with a manufacturing population, has risen up in Massachusetts, and grown into importance. Another similar *city* is growing up on the Connecticut River, with capital engaged, and water power being developed for sixty first class factories, to support a population of 100,000. A thousand laborers are employed in constructing gigantic works, and making hills of solid rock to disappear as by magic. This is the ruin caused by abolishing a portion of the protective imports existing three years since.

In Switzerland, Tuscany, and the Hanse towns, where free trade exists, there is exhibited a remarkable contrast between the laboring population, and that of those countries where it does not exist.

Degraded, yet still beautiful Spain, what would not free

institutions, with free trade, do for her ? What has prohibition done for her while it has been exacted to the death, and the exportation of specie has been forbidden by a Draconian code ? Where are her manufactures ? They began to fall with the commencement of their protection under the tyrant Philip II., and now, alas ! But, even in Spain may be found evidence of the beneficial effects of free trade where reciprocity was not established.

In the Basque provinces, where commerce, until recently, was free, there is a profitable production of iron, grains, &c., and a degree of prosperity that contrasts favorably with the misery of Old Castile, where the protective system holds sway. Also, in Estremadura, under the same sway, the poverty and misery are deplorable.

Much complaint has been made by protectionists, at the policy of the United States admitting Cuba coffee free, and their sugars, &c., at low duties, whilst it does not reciprocate, and even prohibits some of our staple products. If they look at the condition of Spain they will see a melancholy picture of the deplorable effects of a stringent protective policy. As to Cuba, it is, I believe, the universal sentiment, that her admission into the Union, and adoption of our free policy, would raise that lovely island to a pitch of prosperity she is yet far from reaching.

If Cuba charges ten dollars duty per barrel upon our flour, bringing the cost of the necessary article for the sustenance of her people up to triple or quadruple, what it costs our consumers, who but Cuba is the principal loser ? What is Cuba ? Is she not the food eating and apparel wearing inhabitants of the island ? It is time it was everywhere understood that a country is composed of the consuming population thereof, and is not a myth, an ideal

something to labor for, and starve for, while human beings are writhing in the grasp of want.

In France are two departments, of the North and of the Gironde. The products of the latter, of which wine is the principal, are not protected ; so far from it, that foreign duties and internal octroi bear heavily upon their exportation from the locality of manufacture. The department of the North is webbed with roads, railways, and canals, and its products, cloths, fabrics, oleaginous seeds, castings, &c., enjoy an exorbitant protection. If the doctrine of protectionists is true, the people of the North should be happy, whilst in the Gironde they should be in a miserable condition. It is the reverse ; at Lille, of 70,000 inhabitants, 22,000 indigent paupers were succored ; in the department of the North 163,000 out of 960,000 inhabitants are in the same situation. Nothing of this exists in the Gironde ; and in place of one-fifth of the population, as at the North, and one-third as at Lille, one twentieth at the most have recourse to public charity. The evidence of a commission despatched a few years since, thus represents the condition of the laborers of Lille. "It is impossible to imagine the appearance of the habitations of the poor we have visited. Their improvident, careless manner of living, draws upon them evils which render their misery frightful, intolerable, murderous. Their poverty becomes fatal by the abandonment and demoralization it produces. . . . . In their obscure caves, in their chambers which one would take for caves, the air is never renewed, and becomes infectious ; the walls are plastered with filth of a thousand kinds. If a bed exists, it is a plank covered with dirt and grease, humid and putrescent straw, and with a cloth, the texture and color of

which are hidden under layers of dirt, and so ragged as to make such a cover as would a sieve. The furniture is broken, worm-eaten, and filthy. The utensils are thrown without order about the habitation. The windows, always closed, are filled with paper and glass, but so black, so smeared, that the light cannot enter. There are proprietors who fasten the shutters so that the tenants may not break the glass in opening and shutting. The floors are covered with cinders, filth, rotten straw, debris of vegetables brought in from the street, with holes for animals of all kinds. With the foul odors of men, beasts, filth, &c., the air is not respirable. And the poor man himself, his clothes are rags, and his hair does not know the comb. His skin can be seen upon his face, but upon his body it is hidden by the insensible deposits of divers exudations. Nothing can be more filthy than the condition of these poor demoralized creatures. As to their children, they are discolored, lean, puny, old, yes, old and wrinkled ; their stomachs swollen, and their limbs emaciated, with crooked spines and bowed legs ; fingers ulcerated, and bones puffed and soft ; in fine, these little unfortunates are tormented and devoured by insects."

The Gironde is agricultural ; the North, manufacturing ; yet it is said by the opponents of free trade in the United States that "the morals and intelligence of the artisan class are in advance of the agricultural," and hence it is in effect argued that the standard of American intelligence must be raised by effecting a transfer of labor from the agricultural to the manufacturing department of industry !

At the close of the war, in 1814, the Swiss, shut up in the heart of Europe, walled in by the protective policy of

surrounding nations, opened their frontiers to all the products of Europe. Consequently, placed in an unfavorable condition, and with no contingent of an improved shipping trade to grow out of it, as with other nations, they have largely developed within themselves the industrial pursuits which have been cultivated with the aid of protection by the two great nations of Europe. This has been the effect of admitting free of all duty those articles necessary to their consumption. Their workmen have found more steady employment than those of protected rivals, and there has been none of the loss from unoccupied time.

A writer upon the subject, in this country, whose production occupies a prominent place in the literature of our legislation, thus expressed himself in 1845. "What would become of England, if, now that by the loss of ten days' food, perturbation is seen throughout her social order, she were by a free importation of grain to debase her agriculture fifty per cent.? Why, she would be transferring the power of feeding her own people to the Crimea, to the United States, or any other large grain country!" Doubtless the reader will smile with me as he reads this protective fulmination, prophetic of the dread results of free trade. He will recall the fact of the actual repeal of England's corn laws the very next year, and trace the effects up to this day. Two short years only have elapsed, and the effects of the awful "*transferring the power of feeding her own people,*" have told weightily into the treasuries of both countries, and made the big heart of humanity to beat with a throb whose sound has swept the broad Atlantic like a mighty pæan, and soared to heaven in a 'Te Deum of joy !

## XVIII.

### COST OF PROTECTION—WAR—VIOLATED LAWS—DESTRUCTION.

THE enhanced prices on 16 articles, of \$331,000,000 value, paid by consumers to the protected classes in 1845, as appears by the Treasury Report of July, 1846, was \$94,000,000. Add to this for increased consumption the proportion of excess of consumed imports in 1848, which were \$134,000,000, over those of 1845, which were \$102,000,000, and the amount that would have been paid for protection on these articles, in 1848, by consumers in the United States, may be stated at \$123,000,000. How much the tariff of 1846 has diminished this sum cannot be stated, perhaps to half the amount; and it is not probable the amount paid is less than that sum, when we add to the sixteen included in the above estimate all those other articles which are more or less protected.

The abstraction from the consumer's pockets is effected in this manner. The protected articles can be produced abroad for certain prices, just as far below what they can be here as the amount of protective duty. They sell in our markets at the high prices made up of the foreign value and the duty. These importations and sales amount to several millions upon which the duty is collected. But

the consumption is much more ; it includes with the imported articles all those produced here and not exported, double, treble, and quadruple the amount of the importations. The price of those produced here being raised by the producers to a level with what the foreign articles bear with duty added, consumers pay the per cent. of protective duty on all consumed.

In the same report the amount of annual products is estimated, with great show of truth, confirmed by statistical tables of returns from several of the states, at 2,000,000,000 dollars value. The protected portion of these is stated to be \$500,000,000. The annual home production of such articles being by estimate 500 millions, and the importations being 134 millions, the quantity consumed is 634 millions. The duty of 30 millions collected raises the 134 millions 24 per cent. Estimating 10 of the 24 per cent. to be protective raises the price of the entire consumption the same rate, and consumers pay \$63,400,000 to the producers of the dutiable articles. In this estimate is omitted the ultimate loss from checked importation, the effect of partial prohibition.

If all the worst and most dismal alarm cries uttered, whenever a reduction of the tariff is threatened, by those interested in keeping up protection, were to be realized in consequence of a reduction taking off all protection, the people might pay the entire losses of all concerned, and still be largely the gainers by the operation. Truly protection is an expensive pet to foster, and were it productive of none of the evil which the previous pages of this work have proved against it, but, on the contrary, were it the agent for all the good protectionists claim for it, would it not still be a question if our hard-handed republicans were

not violating the maxim of the sage Franklin, and paying “too dear for the whistle?”

The sum exacted by protection from consumption is, though disguised, nevertheless paid to the full. Whoever is passing along our great mart of fashion, and Rialto of retail trade, Broadway, may frequently observe, conspicuously arranged within the immense plate glass windows of the shops, articles ticketed as great bargains in this wise—“only 1 $\frac{1}{9}$ .” At first the passer by fancies he sees a great bargain offered in the great *one*, not observing the little *nine* ingeniously added; and, not until he purchases and receives the change from a bill tendered in payment, is the fact revealed, that 22 cents instead of 12 $\frac{1}{2}$ , has brought the commodity to the purchaser at anything but a bargain. I have sometimes thought I saw here the great *1* put forward by protectionists, as the great blessing to national industry, while the little crooked *9*, lurking behind, seemed to be the personification of that protection which, under the shadow of the great *1*, is filched from the pockets of the unsuspecting purchasing consumers.

Well meaning persons sometimes urge as a reason for protection, that, enabling a country to supply all the demands for home consumption, it would, in the event of war, diminish the evils that, under opposite circumstances of procuring supplies of certain articles from abroad, would be effected by a cessation of peaceful intercourse. The national honor and dignity require, they say, that we should be sufficient unto ourselves.

A blind policy that, for what would be at best a doubtful good, sacrifices a substantial benefit; a policy by which we would deny ourselves the benefits of participation in all the distinct, local, and valuable natural advantages that are

peculiar to each different region of the globe, enjoyed by us through the long terms of peace, by means of mutual exchange of these goods. Deny ourselves these, that we might war more readily. Acting upon the principle that war is to come—war the rule, peace the exception. Placing ourselves in non-intercourse, in a self-reliant, and defiant position ; declaring our expectation of, and readiness for war ; cultivating the jealousies and the antagonistic feelings that naturally must develope themselves under such circumstances. Is this Christianity ? is it civilization ? is it, this system at once absurd and barbarous, true political economy ? Is this the policy that should characterize the age we live in, and the principles that should govern this nation, the Republic of the 19th century, and *par excellence*, the humanity ameliorating exemplar of the world ? Is it not rather a sacrifice of national independence and dignity ? Rather let us cherish the principles of free trade, whose tendency is to promote intercourse, to cause each nation to feel how necessary the benefits that can be conferred by the others are to its happiness, to its advancement, that shall cause each people to benefit morally by the enlightenment of the other.

Is each man, each family sufficient of itself, independent of others ? Did nature intend this ? The shoemaker needs the hatter—the tailor the weaver, &c.

It is soon enough to put the protective policy into operation when war comes. It has been an effect of the necessities created by war, not of the sober judgment that dictates the policy of peace. During the war of 1812-15, the wants of government forced up the United States tariff to a rate so high that various producing interests sprang into a precocious existence, which, upon the return of

peace, required, asked, and obtained a protection that enabled them to sustain themselves during the long period of 34 years of peace that has followed. A period when no belligerent obstacle has interposed to prevent the purchase by consumers, from foreign producers, of all those productions at a much lower rate than the protection-created prices that have prevailed for the greater portion of the time.

Now, as we have seen that with the continuance of protection, the necessity for its support is, as a general rule, becoming more and more felt; and that the absence of the assistance afforded by protection is the best guarantee for the healthy growth of those branches of production indigenous to the country, it is apparent that the imposition, besides being laid on antecedently, must be imposed not only during the war, but for an indefinite period after its termination. Evidently it is a poor preparation for war, to commence levying the war tax for an indefinite term of years previous to the commencement of hostilities. A tax that, under the tariff system of taxation, no amount of previously sustained home producing industry will supersede the necessity for imposing when war comes. Methinks it were wiser policy to prepare for war by amassing a store of wealth from the anticipated enemies for some time previous to the war, by means of a profitable commerce and exchange of products; and, when war is declared, to impose the tax—not sooner. “In time of peace, prepare for war,” by such a policy as will have the three-fold effect of rendering war least likely to occur, acquiring the “sinews,” and at the same time, through extension of commercial relations, strengthening the maritime power, that if war *should* come, it may be met with fair assurance of

success. It must be other preparation than that which cramps the resources of the country, wastes labor, and weakens the power of consumption and protection. It is said of the French Admiral Duperre, that, when he was asked to increase the National marine, he answered: "Apply to my colleague, the minister of Commerce; it comes within his jurisdiction."

Free exchange is the pacific strife in which all men will contend for the benefit of society, contributing each their quota, and forced by competition to be equally vigilant, skilful, and progressive.

*Protection induces the violation of law and engenders immorality.* Whoever has travelled in Europe must have felt that custom-houses encircle a country with a girdle of vices. In England, where the duty laid on tobacco is enormous, it was proved before a committee, that there are schools in London, managed by women, where is taught the most skilful manner of smuggling tobacco. Before the same committee it was also proved, that in three years there had been 1500 individuals punished for smuggling that article.

Indian handkerchiefs were formerly prohibited by the English tariff. Joseph Hume once in the House of Commons, called upon each member to draw his handkerchief from his pocket—and every honorable member drew forth an Indian handkerchief. The prohibition is now abolished. The higher the duties, the more they are defrauded. In Spain, regular *contrabando* establishments are organized for the business of smuggling. There are those that deliver 10,000 dollars worth of merchandise at a time, imported in every conceivable manner. The contrabandista makes his occupation a science, an art, a profession, practised on a grand scale, and occupying all ages and sexes. It be-

comes a widely practised profession to *teach violation of the laws.*

*Protection destroys what free trade would save.* In England, large quantities of merchandise have been annually thrown into the Thames, in consequence of being prohibited from importation, and of the heavy duty weighing upon them. One million pounds, in round numbers, of foreign butter are said to have been destroyed, because the duty precluded its entrance into the country. Is this law justifiable, is it right, this law that causes destruction, nay requires it? As well might we justify a law that would authorize the incendiary to apply the torch to a neighbor's dwelling, and wantonly destroy his property.

I have seen the vandalism practised by English customs' officers destroying, in obedience to law, such imported books as were reprints of British works. It is natural that ignorance and depravity should abound where such acts are legally sanctioned, in order that a production of literature may be maintained at a high price, that keeps it out of the reach of all but the few; prohibiting the introduction and distribution among the people of the cheaper editions of intellectual aliment, from out of the consumption of which they would in turn become producers of the mind's food—a production more likely to be varied and valuable because of the greater number and variety of educated intellects brought to the work.

It has been estimated at what an enormous cost protection is sustained in this country, even under the comparatively free trade tariff of 1846. After deducting from the amount annually paid by the people, the revenue that goes into the federal treasury, a sum is left that would enable the government to pay the wages at one dollar per day of

200,000 workmen, supposing so many were thrown out of employment by the abolition of protection. Suppose that government were to employ these workmen, instead of supporting them in idleness. Their labor would build yearly a large and handsome city, capable of containing a population of 50,000 people. Is it not a destructive system that in effect destroys such a city per annum, the loss devolving upon the consuming masses ? Protection destroys secretly, incendiarism openly. If the effects of the protection exhibited themselves in the glare of the terrible destruction that marks the progress of the conflagration, would it be submitted to ?

The Dutch East India Company formerly, having a monopoly of the Spice Islands, in order to keep up the demand at high prices, used to limit the supply. But how ? Not literally, as protection limits supply of certain commodities in many countries, by imposing a prohibitory duty —the circumstances of the case prevented that form of keeping up demand and value by limiting supply ; they accomplished the same end by destroying a portion of the crop whenever a good season increased the quantity beyond what the world would consume at their high prices.

In both cases an artificial value above what would have been the natural is created ; the value of the commodities exchanged for those artificially raised being depressed in a ratio with the rise, to the loss of all furnishing those commodities so exchanged and depressed.

There are various forms of protection, but there is none the less a wilful casting away of gifts bestowed by a bountiful providence. Whether it be by murder in the first degree, or by manslaughter, a life is nevertheless sacrificed.

LIBRARY  
UNIVERSITY OF  
CALIFORNIA.

XIX.

DEMOCRACY.

BROAD as the entire universe, high as man's loftiest aspiration, deep as the profoundest mystery of nature's arcana, democracy is not an affair of mere partisanship—"No pent up Utica confines its powers." Democracy is universalization; democracy is progress, is CHRISTIANITY.

The social element is entering as it never has done before into all the theories and practices of man. Political science is more deeply imbued with it; in the recesses of men's hearts political measures are canvassed with reference to their social influences; they are being regarded less as questions of party or expediency, of dollars and cents, than as affairs of socially democratic tendencies. Old systems of feudalism and restriction are being changed for new, feature by feature.

Whatever has a tendency to encourage a class at the expense of the people at large, is well known to be at variance with the spirit of democratic institutions. In the science of political government, this country has put in practice what we believe to be the *ne plus ultra* of governmental formula—*democracy*. It is consistent for it to adopt, in the economic science of industry, the formula of *consumption*. The principle of "the greatest good to the

greatest number" prevails here in the universal suffrage, freedom of conscience, and other features of our democratic institutions. To extend the principle, so acknowledged to be just, is, in securing the interest of consumers, to substitute for the aristocracy of production the democracy of consumption. It is cheapness the people require, it is cheapness humanity demands.

The principle which has taken firm root, and is spreading itself, even to teaching the world that the dispensation of political rights among the whole people is more just than confining them absolutely to a few, is going further, and convincing the world that those industrial regulations cherishing a limited number of producers at the expense of the masses of consumers, are likewise unjust and untrue. Political economy is being democratized with the other sciences. Since the adoption of the free trade principle, to the extent of abolishing the corn laws in England, we see it is the people who have been benefited. It is not the nobility who have eaten all the provisions.

The law of Providence has made the strong and the weak, the young and the old, the rich and the poor; has spread over the globe a variety, giving to each region its peculiar advantage. All evidently for the purpose of effecting exchange, intercommunication, and by a simple law accomplishing this for a wise purpose, for the benefits to grow out of the intercourse, the equalization that follows upon the mutual dependence, as it exists individually in society between the several trades and professions. Free international intercourse will level the aristocracy of nations, as the press, steam, and other facilities are levelling that of classes. The towering height upon which the nobility sat in august dignity, dispensing grace

and patronage to the peasantry of the fields below them, began to totter when the railway first gave laborers power to change from place to place, and shift employers at will, and when the press placed newspapers in the hands of all men.

England has been often referred to as an evidence of the prosperity effected by the protective system; but these fail to glance at the reverse of the medal, where the horrible suffering, pauperism, and misery show at what a cost this partial prosperity has been purchased. There, where under an undue appropriation of the natural agent of production, the division of labor's product is unjust, immense fortunes rise up in the midst of great destitution. The plunder of her own people is a kindred source of wealth to that derived by nations from foreign conquest, and the rapine of war. To her may be applied the language of Macpherson, used with reference to the Romans: "Their luxuries cannot be considered as the summit of a general scale of prosperity; it was a scale graduated but by one division, which separated immense wealth and power from abject slavery, wretchedness, and want." Statistics have shown us what has there been gained for labor by protection, and particularly in the acquisition of articles of necessity. Prices have risen, whilst the people's wages have diminished. This state of things untaxed exchanges will go far to terminate in England, and would have already, if that country had not merited the accusation of manufacturing the doctrines of free trade, like other products, for exportation, without applying them at home. Unfortunately for them, her productions and her doctrines have been alike withheld from the common use of her oppressed people.

How will free trade specially operate to reduce the landed aristocracy to a level with other interests in England? The land proprietors produce the grain, which now sells, after several short and one good harvest, and under a duty, at high prices. The taxes and charges upon their estates and means of production, are equal to nearly a moiety of these prices. Free trade in corn is about to pour breadstuffs into the country, at a rate that only requires the collateral aid of plentiful harvests there, to reduce prices to a figure that will not stand so much above the amount of taxes and charges as to cover their expenses, except upon a diminished scale, much below the extravagant expenditures it has been their wont to indulge in. Then the proud castles must topple upon their feudal foundations, until, yielding to the force of circumstances, the falling fragments will ere long be seen scattered about the plain, each reaching no higher than the modest villas of the middle classes, that dot the green vales of old England. The immense estates of the aristocracy will, to a greater or less extent, undergo a process of subdivision and distribution among a greater number of holders. Free trade equalizes out of the abundance it produces—the consuming millions profit—freedom of exchange is democratic.

It is destined in another manner to promote the freedom of the English people. Prices of agricultural produce coming down under the effect of foreign competition, the landlords will be desirous of retaining tenants who pay their rents: so much so as to preclude the exercise of that coercion that may have heretofore been practised in directing the course taken by the tenant's suffrage.

In England, where various sorts of protection have

combined to furnish an aristocracy with luxuries while a people want necessities, land and capital have combined to maintain a supremacy over nations, to monopolize all trade, at the expense of labor. And labor, writhing in its own sweat and blood, has consented to exhaust itself in agonizing efforts, because capital and land have ever held up to its contemplation the pretext that it was necessary to manufacture cheaper than all other nations for the world's consumption. And the slaves of labor have called for protection, even while it was drawing them on to famine, unconscious that it was at their cost England has maintained for generations the feudalism of capital, and has for years poured its fabrics into Brazil at a loss of thirty per cent.

With Americans, by God's grace, nothing but the *laissez faire*, as yet, is needed. But in the old world, where ages of protection for court, for feudal lord, for tythe-fed prelate, and for capitalist, have done their evil work, I would not say too hastily, that *laissez faire* will do. There labor, third element, long borne down beneath the weight of capital and land, sore, bruised, and crushed in body and in spirit, is sick, and it is a serious, and as yet, an unresolved question if it possesses recuperative force sufficient to enable it to rise for healthy action without a medicine to cure its ills. There excessive population creating much competition in labor, with a product from the soil appropriated most unequally through the operation of radical wrong existing at the foundations of society, serious measures earnestly adopted, will probably be necessary; stern, economical principles must be unflinchingly applied in accordance with the dictates

of an enlightened humanity, before improvement will have begun its efficient action.

The people of the United States, under existing institutions, enjoy the two grand features of educational facilities and social position. These, combined with abundant production, constitute the three elementary wants of man necessary to his progressive development, moral and physical. Whatever tends to entrench upon either of these inflicts a wound upon the vitality of the social system.

As the principle of free but unprotected action works with individuals, so does it with communities. How has this principle been found to operate with us ? Under our institutions, whose character is of this sort, we will find that most of our greatest, ablest, most efficient men—our intellectual luminaries—have been the poor boys, whose own unrestricted exertions were their sole protection against the competition they encountered ; not nursed by fortune nor the privilege of class, they have achieved those excellences that have commanded the admiration of mankind. Then is it not a false theory, that the enterprise of the nation needs that protection which its sons as individuals have scorned to ask, and felt no need of ? Labor is holy. Degrade not the American working man by the charge of dependence upon the tariff impositions levied upon his fellow citizens to sustain him in his labor. It is not the *alms* of protection the laborer wants, but *justice* ; a system that tends to pauperism is not the one to benefit him. It has been admitted by those who advocate protection, that the machinery of Europe has scarcely ever been sent to us without American ingenuity returning it to her with improvements.

What has the *laissez faire* done for us politically? In the words of that arch-organ of aristocracy, the London *Times*, speaking of our constitution: "It has accomplished its principal objects, and fostered the growth of a powerful and prosperous nation." The world presents no such spectacle of national advance in all branches of improvement; and this example of the capacity of man for self-government, when the antecedents have partaken of the necessarily preparatory character, is of inestimable value to mankind, and clearly indicates the mission of this nation. It is evidently to furnish the world with a precedent for political and social institutions; and, through mutual intercourse, to impart of her own character to others now holding a position less advanced in these respects. To restrict commercial intercourse is to retard the progress of what is designed.

Free institutions aid each other, all conducing to enhance cheapness. Free trade, hand to hand with the others, has nothing to fear for itself. It has been stated, that some 5000 watchmakers were emigrating from Neufchâtel to this country. They are led hither by a desire to share in the benefits of our institutions, in so many respects free. These institutions thus call in the aptitudes, the facilities of other regions to range themselves alongside, and increase the number of those channels in which production may labor efficiently and successfully against the competition of the world.

*Europe*

In the general revulsion which in ~~England~~ is breaking up old political and financial systems, and forming new, it is to be hoped that the element of free exchange may be infused universally into the new systems. The new spirit abroad, or rather its advanced manifestation, may consist-

ently adopt the principle of free exchange. Washington, Hamilton, and Napoleon, are said to have opposed it. Yet, while these men were the embodiments of free republican principles, they more or less unconsciously represented the conservative spirit that had for ages been paramount. In the latter it lifted him upon the imperial throne, as a consequence, or by means of the unpreparedness of the general mind for the full practice of that republicanism, he doubtless appreciated and loved as the destiny of France. Napoleon's republican sentiments were of the practical for the Europe of that day—his empire the reaction of excess, the oscillation of the pendulum. And the new Napoleon, is not his the republicanism of this day? It is hitherward those countries, now in the throes of regeneration, look for observation of the excellences democracy can yield.

In this age, when force is circumscribed, despotism has instinctively appropriated to its use the instrument of tariffs, as well calculated unperceived to further unjust designs. It is not so strange that protection should have existed in Europe, where the power of making laws has been in the hands of a few who were profited; when the laboring masses, who were the sufferers by protection, have had no voice in framing the laws. But in this country, where, comparatively, every man is a constituent of the government and the laws, it is passing strange that it should be advocated. It is only to be accounted for on the ground of ignorance of effects, and is another evidence of the force of example, and of the obstinacy with which error, inherited and bearing long prescriptive sway, clings to the human mind.

I have said that *laissez faire* is sufficient for us. As yet it is. But if we permit a cessation of the effort at stran-

gling the young worm—protection, that, dropped from the spawn of the old world, had begun to grow and gain a prideful strength wherewith to gnaw the bud of our fair promise and spread disease throughout our healthy vitals, we may get past the virtue of this healthy remedy. Under the genial warmth of the sun of Christianity we have cultivated the Tree of Liberty to a spreading growth. May it not be deprived of that comely branch just sprouting from its ample trunk—free trade. It grows, that noble branch, and yields of its fruit for the profitable gathering of the several intercommunicating states ; but if the worm of protection be permitted to eat its way, much that would otherwise come to fair and nutritious perfection will fall to earth in foul decay.

Advanced in physical and moral power as she is, it devolves upon the United States, in establishing the true “American system,” to realize the happiest effort of the genius of commerce, by throwing open her ports to *universal free trade* : in return to gather unto herself the fruits of every clime, the profits of every nation’s labor, whilst paying them in kind. It is fitting that it should be the glory of this country to be the first among the great nations to achieve to the full this step towards the consummation of democracy.

Here, in the broad valley of the “Father of Waters,” should rise that universal shout of triumphant humanity, which, echoing and re-echoing along the ragged peaks of Jura, and the lofty heights of the Ural, will yet awaken the millions of China from their dream of celestial exclusiveness, and arouse the men of Japan to burst their self-imposed bonds, as they throw wide open their ports to the free entry of all the world !

## XX.

### OVER-GOVERNING.

WHAT, besides freedom of exchange, is embraced in the *laissez faire*, so desirable and sufficient for the people of this country? It is not fitting here to do more than enumerate some of the analogies and antagonists contrasted with free exchange. Were the author competent to the task, there is not space within the prescribed limits of this volume, for the full consideration of a question that, in its details, involves all the subjects coming within the province of government, and embraces various shades of expediency. Thence comes the call for a degree of intelligence in the people, whose business it is to define the metes and bounds of government, and in those who legislate under and administer its functions, that embraces a wide field of acquirement, unhappily not always compassed.

Hopefully we look for the time when an enlightened statesmanship throughout the Christian world shall assume and practise to the full the theory of humanity, so far as demanded by the intelligent call of the people, avoiding the ultraisms decked with its name. Heretofore, such has been much of the action, that the term politician is, even in this country, a synonyme for the contracted cunning of

an intriguing selfishness, that talks of public welfare while thinking only of individual advantage. And this is not all undeserved. Without an idea beyond self and party, whose rewards shall pamper self, politicians, like the *Æolian* harp, that gives forth its musical tones, all unconscious of their nature and effects, mounted upon their stump pedestals, discourse in soft and sounding strains the notes of patriotism, of love of labor, and of glory, as the wind of popular sentiment bloweth high or low upon their own insensate selves. Catching the tones with which the breeze is laden, as they are wafted towards them, these instruments of sound are without conception of the spirit of the music that dwells within the great heart of humanity, and is breathing its tones in a spontaneous education in and around the minds and hearts of the masses..

The Press is not free from this condition. It is the tongue of progress, but not the brain. It is the great carrier of ideas and sentiments which, in the minds and hearts of the people, have gone out, and are still advancing before it in the great march of human progress. Public sentiment leads and directs the press, which, in general, forms it so far as in operating as a medium of communication between individual minds, embodying and giving expression to the prevailing sentiments, and bringing them directly under the notice of each and all, what is individual becomes, through its agency, general. This is no unimportant part, but one as weighty as is the difference between promulgating the good and circulating the bad. As the distributing agent, for promoting spontaneous education going on among the masses, it is a powerful instrument for good or evil; an agent with sublime capacities for educating, under the dominion of the Great Master, Liberty, taught by which most efficient of teachers, the

*duty* that waits upon every *right* is understood by citizens ; and with the acquisition of each right, the corresponding duty is not likely to be violated.

Freedom of exchange, it cannot, with truth, be denied, is one of those rights for which civilized man is prepared, and therefore it is ultra-conservatism to withhold, and is not ultra-radicalism to grant it. Disturbing by arbitrary equal distributions the right to acquisition of property, through useful competition, is ultra-radicalism. Free exchange, on the contrary, excites an universal competition, a cheering rivalry, reducing prices, facilitating invention, promoting the useful arts, and scattering abroad, within reach of all, the gratification of all wants. The right to have a voice in making the laws, the right of every citizen to enter into free and open competition for the highest offices that administer those laws, and other rights, are withheld, in many countries, by the force of this ultra-conservatism, which denies the right to free exchange. Ultra-conservatism and protection are synonymous. True liberty, the elements of which, both social and political, Americans enjoy, lies in neither of these ultras, radical or conservative ; either of which governs too much. The radical system of the Right to Labor, now agitating in France, authorizing any person to demand work, and requiring the state to give it, or payment instead, may be instanced as an ultraism that has no analogy with freedom of exchange. It would be an extension of the poor-house system, beyond its legitimate scope, to a degree that would effect a serious wound upon individual energy and self-reliance, upon industrial and social progression ; and increasing the non-producing drones in the social hive, would aggravate the evil sought to be remedied.

For the state to guarantee the right to labor, the securing

of physical aliment, is of that governing too much, which violates liberty. It is as much so as is the establishment by the state of church revenues and government for securing the spiritual aliment of its people; and more so than the establishing, endowing, and sustaining of great universities for supplying the more refined intellectual aliment of its youth, and keeping up the sacred fire of a high degree of knowledge. It is analogous to the overgoverning of fixing by law a maximum rate of wages, forbidding combinations of laborers to obtain higher rates, which in turn is kindred to that of establishing a maximum rate of interest, declaring that the profit on money shall be limited to a certain rate, whilst all other commodities are justly allowed, *sans protection*, to rise and fall with the natural operation of the laws of trade. And to these is analogous that much abused power of governments—a power which all people in amended constitutions will probably yet wrest from the grasp of legislative prerogative—to manufacture a representative of value for general use that bears none of the value imparted by cost of production and a supply regulated by a natural demand. Conferring upon such individuals as may be employed by the people to administer the public business privileges not enjoyed by their fellow citizens, especially when liable to abuse like the franking privilege, is also inconsistent with the *laissez faire* which acknowledges freedom of exchange.

In the United States, where the public have the resources, possess the intelligence to appreciate the objects, and are capable from practice of originating and conducting such great enterprises as are required by the general interest, the people would be shocked at the proposition of government to assume, by a stretch of over-governing, the

ownership and management of all the railways, or of the great farms or manufactories ; in short, any of the great direct agencies of production not too large to be contracted or worked by the capital of companies or individuals.

Opposition would also be excited at witnessing the government undertake that governing too much which would be practised in limiting by law the amount an individual might acquire by inheritance—a measure which has been approved by high foreign economical authority. How little any such law is necessary under our free system of *laissez faire* is attested by the following from *Lyell's Travels in America* :—“ Munificent bequests and donations for public purposes, whether charitable or educational, form a striking feature in the modern history of the United States, and especially of New England. Not only is it common for rich capitalists to leave by will a portion of their fortunes towards the endowment of national institutions, but individuals during their life-time make magnificent grants of money for the same objects. There is here no compulsory law for the equal partition of property among children, as in France, and, on the other hand, no custom of entail or primogeniture, as in England, so that the affluent feel themselves at liberty to share their wealth between their kindred and the public, it being impossible to found a family ; and parents having frequently the happiness of seeing all their children well provided for and independent long before their death. I have seen a list of bequests and donations made during the last thirty years for the benefit of religious, charitable, and literary institutions in the State of Massachusetts alone, and they amounted to no less than six millions of dollars.” The extension of the principle leads to the total abolition

of the right of inheritance, which is in fact, like the *right to labor*, one of the theories of the socialism of the day, that would extend the principle to an extreme, and invest all the sources of wealth in the state—a dangerous centralization of a mighty, of *all* power, and destructive of all individual independence, sacrificed to the worst of despotsms.

Consumption and Labor are one—all over-governing is one in opposition and oppression.

Gradually, step by step, we are witnessing the withdrawal from the hands of the state, to be distributed among the people, and conducted by private enterprise, not only the political action, but the various institutions and enterprises, whose object and effect has been the improvement or convenience of the people. We now see a leading postal agency, the magnetic telegraph, conducted by individual enterprise. It is a popular maxim that it costs the government more to do anything than it does individuals. It is generally believed, with much truth, that enterprises are conducted more expeditiously, with less expense, and with less annoyance to the public, by individuals than by the government. The variety of methods, and the various capabilities brought to the task of accomplishing an enterprise by individuals, afford probabilities for its being much better done than when the government method, and the administration of its set of officials, only are employed. The absence of a personal interest in those administering, operates against successful performance.

The subject of governmental reform, which embraces with free exchange those kindred and those antagonistic principles and measures just glanced at, resolves itself into the compound proposition of what properly enters into

the province of government, and how much of that admitted properly belongs to the people, unreleased to the action of their delegated representatives, in the several branches of government. Therefore, under this latter proposition, another and deeper consideration of the subject should not be overlooked. This is respecting the individuation of the independent human being. Each possesses an inward consciousness, there is a certain extent of domain in the life of each person, a sacred temple, embracing himself, his family, and property, upon which no power, whether of one or of the public, should be permitted to encroach intrusively. The action or influence of government should not be brought to bear upon this private life, to control it. The truth of the principle was acknowledged by this country in the early severance of church from state. But there are other avenues through which the abuse may find admission. The tendency of public opinion is to invest all power in the masses. With the abundant good effects of this democratizing principle, there is the attendant danger of a suppression of that originality of mind and individuality of character so necessary to progressive improvement, inasmuch as the public are ready to impose their opinions and tastes upon individuals, coercing them to their views, through the tyranny of the majority, exercised by delegates quite ready to commit acts of injustice, in order to gain popularity with those they represent. The effect is to bind and sacrifice what it should be the aim of purely democratic institutions to cherish—individual independence of thought and speech (a sacrifice sometimes exhibited in the slavery of party); and therefore in a democracy it is safest to limit, as far as possible, the functions of government, leaving to individual enterprise whatever can be.

administered without the agency of the representatives of the people collectively. In other words, it is vitally essential to the liberty of the human being in this country, that the legislative and administrative action should be *constitutionally* confined to the smallest possible extent.

A happy power of neutralizing excessive action, when it may have been committed by the legislative branch, exists in the veto power. As long as the constitutional imperfections that exist are in force, enabling government to act where they should have no power to act at all in the premises, the beneficial effects of such checks and counter checks in the neutralization they effect, will reduce largely the field of over-governing action.

The right of individuals to express their opinions of what is right and wrong is one thing ; the investiture of government with power of coercion in the premises is another, even though that government be the embodiment of a majority.

In short, all acts of a federal government having a centralizing tendency, that prevent or obstruct the diffusion among the people of the controlling power over the agents of production, land, capital, and labor, and their results ; for, as is the principle between individuals and state, so in a confederated system of states, whatever may be done by these separately, should not be assumed by the general government ; and, in the *morale* as well as the *physique*, that withdraw their control over the political, religious, educational, and judicial departments, and consolidate it in a central power ; and all conferred or assumed functions that, intermeddling with individuals, go further than to prevent the entrenchment by one citizen, through force, fraud, or negligence, upon the rights of another to his in-

jury, are, as a general rule, the action of excessive government.

Government should leave to a people the instrument of liberty ; and, under the local governments, they should be instructed through the education afforded to all by common schools—leaving it optional with parents, no expense existing, to send their children or not—how to wield the instrument. Beyond this all interference is dangerous, and, with limited exceptions, liable to encroach upon the domain of freedom. The practical education, a most necessary feature, that results from the direct individual participation in the affairs of government by each constituent of the democracy, thinking and acting for himself in his own local as well as in the general administration, will do the rest in developing the freeman.

Freedom is incomplete without education. Whatever the laws may prescribe or forbid, if it does not meet with response in the moral consciousness of the individual, if what the law expresses is not confirmed understandingly by the intelligent conscience of the subject, the law is occupying the position of tyrant master, the subject citizen fills that of slave. It is important to humanity that the increase of education should everywhere be co-extensive with the growth and spread of the democratic principle. To its being so here may be attributed the progress revealed in the history of this country. As long as it shall be so, the day will not arrive when he that cannot write shall ostracize an Aristides because he may be *just*.

## X X I.

### SOCIALISMS—FREE LABOR—PROGRESS.

THE attempts to reconstruct society exhibit, many of them, scenes of energies wasted upon impracticable theories. Instead of taking man in his individuality, they first require that he should sink his natural love of personal independence, forget jealousy and distrust, be unselfish, in short, become other than man, before he can occupy the field of action prepared for him. Some would burst the bonds of that organization supreme wisdom has formed, for binding together, by the tie of natural affections, the families, as integral parts of the public body, through them securing its moral integrity ; and for holding the individual to the service of all through his labors for particular self, thus preserving the social integrity of the whole.

The improvements to be sought are those which are being wrought by the increasing intelligence of free men, and which, in extending and perfecting the forms of their business relations in the various departments of production, exchange, consumption, and insurance, thrill along the electric cord of interest, and are felt at the hearth-stones of all conditions, from the millionaire to the humblest artisan. The various relations of man with man where services, values, and equivalents are involved ; these relations, as estab-

lished and fostered by unrestricted commerce and its adjuncts in all branches, in all the forms of mutual intercourse, where profit and security for families and individuals are sought, and losses avoided, these will thrive. They are practicable, are consistent with the nature of things, and they will flourish and spread while men possess the power of calculation and love of acquisition. Their variety will increase, and their character improve, with the increase of that intelligence ever following in the footsteps of Christianity and free government.

None of those chimerical schemes of association, that call for the change of existing relations, and an entire subversion of the institutions which constitute the corner stones of society, can exist, save in the speculations of the dreamer. No *ism* seeking to fuse into an ill-assorted mass the portions designed to remain inviolate, each within its sacred boundary, will serve any other purpose than to afford vent for working off the froth of zealous eccentricity, or to furnish material for the schemes of politicians.

If we would accomplish aught in the cause of humanity, we must gain man to our cause through his interest—that principle stronger than all others. That, only, can prove to be the true social science, which, while it invites man to the extremity of individual action voluntarily laboring for his special ends, at the same time leaving each to find the pursuit congenial to his tastes, habits, capacity, or condition, accomplishes the collective improvement of the species. Is it said that this theory of laboring only for self, involves a denial of the practicability of Christianity, which requires man to become unselfish, in order to practise its requirements, to turn the other when smitten upon one cheek, and do unto others as he would they should do unto

him? I reply, in requiring these, Christianity exacts no sacrifice of individuality, no merging of identity in a physical and moral agglomeration. It is self practising obedience to a divine law for the saving of self; it is a spiritual effort where mind triumphs over matter, because of a conviction that self is to be spiritually benefited. But, in a material capacity, there is no total abnegation; man will labor only for an immediate interest, because his individuality of self is composed of his property and family, as well as the more intimate immaterial mind and material body, and the moment he ceases to exert his faculties for these, there is no longer provision for their sustenance, and he ceases to exist. This alternative, the first law of nature, the divine institution of marriage, consecrated by practice of the mother of Christ himself, and the force of the natural affections, all alike forbid.

Man should be taken as he is, taken with the ties of family upon him, spurring him on to individual competition. His improvement must be worked out by himself; no power is great enough, save Divine, and that power has ordained that he shall do his own work, to do it for him. There will be no new creations; with the elements that exist, with the qualities that belong to his nature, man must work improvement of those elements and qualities, and develope himself. Give him equal chances with his fellows, but no protection that shall offer a premium to inferiority of production, to indifferent action. Do not attempt to make him equal in all social points with his fellows; but give him the atmosphere of liberty in which to breathe, remove all barriers between him and his right-  
ful customer, the world's consumption, and he will find his *point d'appui*, and make himself an equal in all enjoy-

ments his labor may achieve. The uncertainties, the necessities calling upon him to act, the incentives identifying him with *his*, from all these is evolved that sense of enjoyment, and is wrought that varied improvement for which man is placed upon earth to labor.

All men have been created equal, but they have been invested with *gifts* (as the excellent and wise Leatherstocking styles them) so different, that though all should set out from the same point, no two would arrive at the same end. All those systems, or theories, which would compress them into one uniform social equality of receipts or expenditures, of habits, tastes, affections, or acquirements, will be found to be as impracticable as it would be to force all men to grow to an uniform height by compressing their frames into boxes of an equal length. The physical deformities of such an effort would be rivalled by the moral ones. The equality of men is that of rights, but while seeking to raise those now oppressed avoid *protecting* them in turn:

For ev'ry *right* mankind may claim  
A *duty* waits to give a name.

It is the fashion of the day to attach much importance to associative effort. And much is indeed due to it. In certain cases of industrial effort it produces great results. But to what extent it may be profitably adopted socially, is a question yet to be resolved. Individual effort, with the way left open for the free interchange of the results of effort, is calculated to develope truth. Where mind has delved in the mine of science, single-handed exertion has always effected the greatest result in proportion to the labor expended. Experience has shown, that in the

weighty undertakings of manufacturing, larger production in proportion to the effort of industry has been realized where the operations have been conducted upon a large scale, by machinery, involving the investment of much capital. On the other hand it has been found in agriculture, that the most profitable effects have resulted from the system of small farms, where the labor was narrowed down to individual effort, and the limit of co-operation was confined to a single family, owning the land it cultivated. It is "the magic of property which turns sand into gold," says Arthur Young; "give a man the secure possession of a bleak rock, and he will turn it into a garden."

The corporate principle is in operation in this country, and yielding beneficial results where insurance, factories, and fishing voyages are conducted under its action. How far, beyond its present extent, association may be adopted through the contractors of industry admitting laborers to partnerships of a mixed character of wages and profits, is a question between them, is a matter for private contract, not for legislative action, beyond a liberal law of partnership. It may doubtless be so adopted to a very considerable extent with great success in both points of improving the condition of the laborer, and of achieving a larger production. And mechanics and tradesmen may associate for corporative action so far as their occupations are concerned, and conducting the business in squads not too extended, the combinations may successfully divide among themselves the labor and proceeds. It is desirable that such attempts should be made and encouraged, in order that labor may as far as possible attain to its third and rightful position. In early days it occupied the place of slave to capital or power, which in exchange for its efforts

accorded food and clothing ; next the place of servant, where wages rewards its services ; it remains for it to attain to the position of partner, receiving the reward of profits. It is true the laborer receives a portion of the profits now, in the form of wages. In order to promote his further advance, it is necessary to increase the demand for his services, and improve his condition ; then his wages rise, his reward is increased. The wages cannot be raised perforce by the social theories, any more than the mercury indicating improved temperature can be properly raised in the thermometer by other means than the existence of greater heat in the surrounding atmosphere. The terms of wages and services are rightful, and this condition must continue until, under the regime of free institutions and general education, the ameliorations and intellectual improvements are effected, that, raising the character of the laborer, his privileges, and his standard of requirements, will gradually, and as it were imperceptibly, enlarge the domain of partnership and ownership, while that of servitude recedes in the commercial, mechanical, and agricultural departments of productive industry.

In all the economical achievements necessary to social amelioration, whether it be where the collective action of co-operative association in large manufacturing establishments using costly machinery, in the construction of railways and in organizations for insurance, are the effective agencies ; or whether it be in the scientific, agricultural, mechanical, commercial, or other departments where individual enterprise labors most effectively single handed, all are left in principle and fact to competitive individual action, and all the personal incentives have full play.

The associative theories deprecated in this chapter, are

of a different character from these. They call for a more extended association. The industrial forms of association just noticed, are liable to be broken up when the reverses of business shall reduce to bankruptcy the particular body, as individuals are affected by like causes. This induces theorists to seek for a form of association going beyond these that simply effect greater production in consequence of their united action, and are liable to dissolution through the ordinary casualties, leaving the individual members cast upon society seeking subsistence. The association sought, in order to be independent of the external world, is required to embrace within itself the production of all the means of subsistence ; it must be an intricate machine with all the processes of production and consumption in operation, and, therefore, complete in all the elements, and their action, constituting society ; must be governed by an organization that shall admit of no departure from the workings of the machine by which it effects all processes of the complicated social organization in the present form. The experiment, when undertaken, soon develops the existence of natural causes that threaten its dissolution. The various qualifications, aptitudes, tastes, &c., of the individual members, early produce their natural fruit of inequalities of acquisition, and the individual particles fly off from the common centre, some rising, and others falling far below the medium. To remedy the difficulty, and keep the erratic particles within the common round of industrial and social action, the abolition of private property is decreed.

Then is required from every member an equal amount of labor, with the contingent equality in the division of labor's production. Thus stand the theories. But how

must they work in practice ? The produce of the industry of the community being divided would not insure any certainty that the labor had been, which indeed it never could be when we consider the diversity in aptitudes, physical and mental power, and the difficulty of deciding how much of a certain kind of labor is equivalent to another. The labor not being divided, would be a prominent fact that would stand out so conspicuously as to come in contact with the mental sensibilities of every member, and create irreconcilable differences. The call of justice for remedying these inequalities of imposition would never find a response save in dissolution. Communism would provide a remedy for this difficulty by requiring each individual to work by turns at every occupation. This arrangement would involve a sacrifice of all the advantages attendant upon "every one to his trade," as the popular adage expresses a truth ; and, all the gain experienced by the division of labor being lost, production would be materially diminished. One horn of the dilemma is a dissolution, the other diminished production. The disadvantage sought to be avoided that attends upon the reverses of trade, affecting the practical industrial organizations before noticed, is not escaped ; while the advantages of the enlarged production which they effect, are lost in the effort to construct the social machine. Its effects are a sacrifice of individual independence, the compression of intellect into a fixed mould, the reduction of each member of the unnatural association into a machine moved, like the automaton by the hand of the master, by external power, instead of the mainspring within the individual self.

One of the leading elders of the Shaker community at

New Lebanon, distinguished for his intelligence and honesty, had adopted the correct view of the operation of Socialism, when he said, that he had always frankly told the several delegations of Socialists who had visited New Lebanon to inquire into the Shaker system, that theirs would not work, wanting the vital element of religious motive and spirit. That celibacy also would be essential, as a man with a wife and children could never renounce that selfishness, *that preference for his own, which would be fatal to any living in common.*\* The Shaker elder is right in his understanding of the inevitable tendency of human nature to individuality when in families; but wrong in endeavoring to run counter in his own practice to the natural current, by setting aside the institution of family. He should rather fall into the order of nature, and seek, by giving a proper direction to the natural and inevitable, to improve the condition of his kind.

When association degenerates into the worse forms of Socialism, when it requires a fixed equal distribution of property, the investment of all the agents of wealth in the state or community, denies the right of every person—with freedom of competition open to all—to attain of the world's goods to the extent of his ability, usefully employed, adopts and exercises the mental and social compression before deprecated, it not only requires what is as impracticable as undesirable, but the theories, subversive of all that the human soul holds sacred, go further, and question the propriety of continuing any of the existing social institutions, condemn that of marriage and religion, and in the words of a leading socialist, “the immortality of the

\* New York Herald, Sept. 1848.

soul, even, is generally rejected, and absolute atheism is not uncommon." Surely insanity could no further go.\*

In abolishing the various sorts of protection for lordling, prelate, and capital, it were well for all nations carefully to avoid oscillation of the pendulum to the opposite side, and by establishing the protection in another form, as was recently attempted in the proposed system of the national workshops in France, under the claim to the Right to Labor, before noticed, perpetuate its existence, instead of strangling the serpent that with all its wily strength seizes upon some new member of the body politic whenever it is dislodged from its previous hold.

Physics are being turned by physical power to practical uses, with a rapidity of invention and promptitude of application that excite the universal wonder of mankind,

\* While these pages were going through the press, a letter was received by the author from a gentleman who was well acquainted with the "Brook Farm" experimental association, near Boston, and had been a talented and zealous projector of the "Skeneatlas community" in Western New York, respecting which he says: "The cause of the failure was undoubtedly a combination of knaves and fools. The former desiring man-worship, and the latter thinking it necessary and proper to worship some great man. Worship, and the desire to be worshipped, seemed to be the leading elements of disturbance. Those who thought it *unbecoming a reformer to worship a Deity*, were the most devout worshippers of the tallest man in their company, and therein exhibited more bigotry, blindness, intolerance, and persecution towards dissenters, than any heathen or Christian I have ever seen or read of. My opinion is, that we have not arrived at such a point of intellectual advancement generally, as to render the prospects of success in any kind of association very flattering. In fact, I do not think the present order and arrangements of society can be much improved with any combination of the elements we now have."

for the mighty results accomplished in proportion to effort. These results, in their turn, assuming the attitude of causes, are all effecting those physical and moral ameliorations that constitute what is termed the progress of the age. Of these, increasing security for persons and property is in turn promoting production, the increase of capital and well-being of consumers. The assurance principle, not the least effective of the improving agencies, is being more extensively developed, and furnishes the thermometrical indication of a more widely diffused and permanent security, evidences of the moral progress of mankind. Insurance encourages the employment in productive industry of capital that would otherwise lie idle in hoarded security. The principle is fraught with benefit, beyond the power of human calculation, to all industry and its results. Man will be industrious and endure any degree of privation, if he but have assurance that the result of his efforts will, beyond the risks of chance, enure to his own enjoyment. But, leave him in uncertainty as to his retention of such result, and his energies slacken, his love of ease predominates, and he catches at the gilded toy of the moment, unmindful of the future, and heedless of improvement.

It is by competition that all those improvements in physics are made serviceable to mankind. The true social formula is Freedom, Competition, Property.

There are great minds, and humanity-loving hearts, who style themselves Associationists, and hope to redress the evils now oppressing mankind. In free trade is projected an *association of the nations*, a world wide association wherein each contributes of its own resources to the general wealth, each imparts of its own peculiar blessings

for the benefit of the others ; wherein man imbued with a sentiment that sleeplessly urges him to unremitting action, prompting him to compete, produce, exchange, acquire, enjoy, is seen to be operating under that law whereby the producer, laboring for self against competition, benefits the consuming numbers by the operation, never wavering, of the natural laws of Providence, unrestricted by the unnatural regulations conceived by men,—abundance of non-restricted production as opposed to protection-created scarcity, affording much of the general amelioration humanity demands.

I would not assert that this one of the progressive ideas of the age will solve the entire problem of humanity. As a variety of causes contribute to mixed motives, from which in turn originate the actions of man, so, many measures, operating diversely, yet with a tendency towards analogous ends, are necessary to accomplish a great work of progressive amelioration. But some of the theories that have been evolved in the old world seem to promise no better results than the sufferings under the present state of protected inequality. They appear to be but an extension of the protective system. Free trade presents itself free from these objections, a true engine of liberty. Whatever other measures may be necessary, without free trade, they will in great measure fail of their object. It is necessary, first of all, to procure men necessaries, and they cannot be found in restriction. Education is incompatible with indigence. Man is not in a condition to listen appreciatively to doctrines of morality, nor to cherish the disposition to practise religious precepts, until his more material wants are satisfied. Demoralization, the filth of the mind, accompanies always the filthy

habits of living generated by extreme want. Good is more powerful than evil: Providence has evidently designed by the exchange of products to promote union among men; and it is the mission of commercial freedom to aid in diffusing these principles of liberty, fraternity, equality, which Christianity has developed.

After a careful examination of the prohibitory, protective system, looking upon it with the eye of reason, unbiassed by interest or the influence of partisan sentiment, its horrors are fully comprehended, and, as it rises up in all its forms, reeking with the blood of labor, for ages sweated forth at every pore, we shun it, as the baleful evil of the world's happiness. We see that prohibition violates the legitimate order of society; that it encroaches upon man's freedom, in preventing him from choosing his channel of labor, whilst it constrains him to give a false direction to his efforts; that it injures the public prosperity, in forcing the industrial efforts least productive, to the prejudice of those more fruitful; that it encroaches upon political and civil equality, in subjecting all to a tax for the benefit of a few; that it compromises peaceful relations between countries, and misdirects the intentions of providence, who, in furnishing an infinite variety of climates and aptitudes, has indicated the necessity for intercommunication, and the cultivation of universal brotherhood. That its results arrive at the reverse of that progressive excellence which the improvements in the natural sciences, the intellectual developments, the spread of Christianity, the defiant earnestness with which men are seeking after social ameliorations, all prove to be the general tenor of the age.

It has been demonstrated, that it is impossible for na-

tions to practise the protective system with utility : Free trade is, then, a consequence of this impossibility. This age is characterized by an earnest seeking after utility, a zealous laboring to find the *truth*, that must eventually succeed in bringing it into practice. A Cobden, a Bowering, a Bright in England ; a De Brouckere, a Lehardy de Beaulieu, a Wolowski on the continent of Europe ; and a host of other able spirits, are laboring with a determined zeal, that is generating a world-pervading sentiment, which must sooner or later achieve a cosmopolitan result. In the old world, sick even unto death with the operation of measures directly opposite in their effects from free trade, society will find it an efficient remedial agent ; while here, in America, it is certainly one thing necessary to the completeness of the political and social fabric.

Cheapness, cheap food, cheap clothing, cheap travelling, cheap postage, all forms of cheapness, constituting the path of progress along which the world must travel, are considered agencies in ameliorating the condition of mankind, and are earnestly sought after in every variety of form and manner the ingenuity of man can devise. Nevertheless, a conservative influence, which has its uses and abuses, often operates to delay the adoption of measures adapted to the end of cheapness long after the knowledge of their tendency has been very generally diffused. Finally, this influence retires before the force of truth, operating slowly but certainly upon public sentiment. Free trade is one of those agencies, and is therefore, like free labor, though long in making its way, inevitable. It is a true instrument of progress.

Progress is the amelioration of our social existence in its combined organisms of the intellectual, moral, and phy-

sical. These ameliorations have ever been alike gradual and inevitable. Upon this subject of progress and the amelioration of the poorer classes, there is far too much of vapid sentimentalism and fanatic demagogueism lisped and ranted forth by hosts of self-styled reformers of all dyes. It is the dogday mania of the time, though the natural excess to which, in some organisms, the humanizing spirit extends itself; and were but the tithe of all their schemes for social reform put in practice, the world would be reformed past reformation. A reform that would reverse the order that prevails for such confusion as would reign where anarchy had sway, and rights, unchained from duties, were living in unnatural excess. Poor progress, perched upon the wild steed's crest, sent forth upon a steeple chase, would soon achieve a sad break-neck catastrophe.

The subject of ameliorating the condition of the poor whites is not the only one upon which unreasoning sentiment and a blind zeal expend themselves. The negro race is dwelling among us in bondage, and "lo the poor Indian" is being slowly and surely exterminated. The existence of the former on terms of social equality and of physical and moral amalgamation with the Caucasian race, is as impossible under the present organization of the negro race as is that of the latter. Ethnology teaches us to hope for an improved craniological and epidermic organization of the inferior races. Until that far distant time, whosoever of them shall not be dwelling in the regions and under institutions adapted to their organism, will be occupying an inferior social position, or will have disappeared from existence. The extermination of inferior and substitution in their places of superior races, is but a step in the march of

progress, in whose calendar the ages count but as days, and with whom the races are but as types of a degree in the condition of mankind. The sentimentality that mourns over the disappearance of an inferior race, omitting to rejoice that its place is supplied by a superior, would forget one of the means by which Providence works improvement in mankind. The advance in the condition of man has been heretofore effected, by both this method and that of sustaining the existence of the race, and effecting its improvement. If the education and amalgamation of the inferior race is practicable, and it can, in the progress of civilization, by these means, be raised to a level with the superior, it will be effected when the races have dwelt a sufficiently long time in contact. If impracticable, the inferior race will have sought other regions, or will have been exterminated, having occupied, while in contact, a position of savage independence, or, while the social connexion endured, lived in the condition of servitude, voluntary or involuntary.

The involuntary servitude is the evil so much lamented, and with reason. Being inconsistent with the genius of humanity, and with the spirit of that liberty of which Christianity is the pabulum, it should, whenever practicable, be abrogated. Then the field will be properly open for the race to struggle after equality with the superior, a struggle that will end either in its attainment, after a protracted term of that normal state where improvidence requires the constant superintendence of the teachers, or in peaceful disappearance as a numerous race from the soil occupied by the Caucasian. The last result would probably follow fast upon, or occur simultaneously with the abrogation. The very fact of their normal condition of

improvidence is to delay the movements until they can be undertaken jointly.

Hence there are considerations that mitigate our horror of the protraction of this system. The race will be better fitted to work their own improvement, after a long term of servitude here, and of being subjected to the influence of our institutions, working their way, as it were, along an under current of progress, that is keeping its certain way with our own, than they would have been had no other than African suns ever shone upon them, no other than native African influences ever surrounded them. There they were and are, in the savage state, not having attained to the secondary stage, the pastoral. Transplanted hence, they land upon the shores of Africa, fitted for the third condition of man, tillers of the soil ; ready to labor in the development and improvement of the African continent. The republic of Liberia will doubtless prove a more efficient germ of civilization than the jungles of the Bushmen.

Above all things the change of servitude should be gradual. There are those who would ask,—is it practicable and desirable ? After emancipation their position would still be that of servitude—if of any service at all—and then their services would be less efficiently rendered than before. Production of those staples their labor cultivates could not be effected as cheaply as before ; and whatever is detrimental to the interest of employers, is equally injurious to the employed. Would not their moral progress be as great under the present relation of master and slave (planters now pay clergymen to preach the gospel to their slaves, and exhort them themselves), as in one of voluntary servitude, where their efforts would not be

as indispensable as now to the producers, and when, uneducated, and with improvident habits, they would fall into a state of extreme poverty, of non-producing want and moral degradation ; a population of paupers wanting caste in every sense of the word, festering in the midst of the social body ?

These would be no unmeaning questions, and involve a social problem replete with difficulties if too hastily tampered with. Notwithstanding the fact that they are not by any means so incontrovertible as to require our assent to the permanency of their action, in view of a practicable system, before referred to, of combined compensation and colonization co-operating under the influence of those natural, physical, and moral causes that will gradually and progressively develope themselves, and which have already changed slave to free states, and will repeat the process in regions further south.\* Notwithstanding all this, those who would ask these questions would have with them more than a show of reason ; and they would be those who have a weight of rights to cast into the scale, requiring that the initiatory should be taken by themselves. These opinions and rights are held by persons who by education and custom regard the matter in a different light from that in which the ready aggressors view it ; and the leaven of moral progression whose advance is accomplishing all meliorations must unfold itself in their consciousness, prompting the necessary action on the part of those holding such opinions and

\* Already a movement is making in Kentucky to effect the introduction of a clause into the Constitution of that State, providing for gradual emancipation.

rights, which should not be outraged ; to their having been so, is owing the retardation of the emancipation that will yet come. I cannot help indulging with the reviewer in the cynical belief that "pure, unadulterated benevolence is almost as dangerous an agent to tamper with as gun-cotton, unless it be freely diluted with the less transcendent qualities of practical knowledge and common sense." I should regret to see slavery suddenly abolished. It would be still more painful to believe that it is never to be. But reformers make two mistakes ; they insist upon only one method of progress being recognised, and they wish the work of generations to be accomplished in a day, leaving nothing to the providence of God, and the labors of that efficient worker, father Time.

Notwithstanding what Burke in his *Reflections* calls mind conspiring with mind, is, under our institutions and at the advanced intellectual and moral position attained to, effectively favoring improvements, the importance of the social and political changes agitating the minds of men demands a careful discrimination between measures of reform, and the cautious avoidance of hastily making innovations in existing political institutions that was appreciated as long ago as the time of Aristotle. In noticing the analogical reasoning that improvements in government can be introduced as readily as those in the arts, he says : "the example drawn from the arts is a fallacy ; for there is no analogy between innovating in an art, and innovating in a law : inasmuch as a law has no power of inducing obedience unless by habit ; and this can only be effected by lapse of time ; so that lightly to exchange the existing laws for other and new ones is to enfeeble the force of the law." To the important changes

proposed by enthusiasts and reformers, is referable all of the caution inculcated by the philosopher of ancient Greece. The agitations are calculated to promote *disunion*, which is dishonor, destruction, and defeat; whereas *union* is greatness, and glory, and all good.

Not only in view of the principle of constitutional rights is the conservative caution felt to be especially necessary, but also when it is remembered, that the production of our great exporting staples is wound up in the existing institution; and the importance of a caution against the premature tampering of legislation is seen in its full force when regarding the effects of emancipation in the British West Indies, where it has resulted in the wreck of capital, in the withering of resources, natural and acquired, and the subversion of social order. England offers, in the sermonizing of her journalists, reviewers, and bookmakers, a stringent conservatism, when considering the political movements upon the European continent, a sensible view of some of the social theories agitated there, but fails altogether in the consistent application of the same conservatism, and rushes wildly into ultra gun-cotton radicalism, when her critical eyes are turned towards the "peculiar institution" of this continent. So madly that, leaping the continental shores, it sweeps adjacent islands, to her own injury and the especial ruin of those unfortunates, her island subjects, white and black.

When we extend our view it will be observed, that all necessary conservatism exists at large, and because it does there will not be the abrupt action, by those within whose province it lies, affecting the peculiar institution; nor, on the other hand, because the conservatism *does* exist, will there be a withholding generally of the improvements de-

manded by humanity when the season of fitness shall arrive.

Such is the march of social progress humanityward, that no territory contiguous to the United States, not already impregnated with the "evil," will voluntarily assume it, to be incorporated into the institutions, under which admission is to be sought into the federal union. If impregnated territory knock at the door of the Union should it not be so admitted, and so continue until, at some subsequent period, the new state shall voluntarily follow the example set it by the previous action of others lying in higher latitudes? Should it not, when we consider that under no institutions will a fitting emancipation, one that shall have prepared the subject for the advance, and all blessings, be sooner wrought than under the moral progression born of our own?

The enthusiasts and reformers alluded to would fail to preserve the consecutive links by which progress, the education of humanity, advances; an omission as detrimental as would be that in the education of the individual man, which would overlook either of the rudiments necessary to making a sure improvement in knowledge. In progress the necessity is a natural and certain advance; one unlike the sudden leap with which socialism would recently have cleared, not only the restraining bounds of monarchy, but would have leaped the barriers that divine law and Christian precept have prescribed to anarchy, and spread confusion and disorder throughout society. Forgetting that there is an interval between seed-time and harvest, they would put in the sickle before the grain is ripe.

To be lasting, all changes in society must be gradual.

The general mind must, by many stages, be educated to the degree of intelligence necessary for acting in the improved condition, and then the change will inevitably come. Progress walks, it never leaps. Poor put-upon and patient Progress ! with thy name so often called upon to sanctify the follies fain would jump towards a lofty end. What wonder though that jerks and leaps are forced upon thy steady gait, when we consider that thy latest lengthened stride was made by the remorseless application of galvanic batteries !

Progress is evidently not over hasty to hurry on its way, when we see the progressive action of the Sultan, in sending an ambassador to the Pope, counterbalanced by the conservative movement of the petitioners of Exeter, England, who beg that Parliament will not receive an ambassador from the papal power. The day that witnesses an advance made by Islamism in extending its hand in amicable greeting to Christianity, sees also the retrogressive movement of Christianity, which, in the one church, is opposing the adoption of friendly relations with its sister church. The chronology of progress also records, on the part of the present year, 1848, that Islamism and Christianity, mutually inspired by the progressive spirit of humanity, have jointly extended the hand of tolerance to a third member of the human family. The Sultan of Turkey grants permission to the Jews to rebuild the Temple of Jerusalem, and the Papal government emancipates the Jews of Rome from the civil disabilities that for centuries have bound them. But in a scale opposite to these progressive movements is also cast a weight of conservation. This is to be observed in the action of the Puseyite members of a clerical club at Oxford, England,

learned divines all, who have recently issued a document setting forth the rules by which their principles shall be regulated. In this document is declared the divine right of kings ; indissoluble union between church and state ; that no right exists of private judgment in matters of religion ; that the education of the lower classes is a public evil ; that they should exercise no voice in the choice of representatives ; and that those upon whom they are dependent are justified in exercising their influence over them in matters of church and state !!

Again, while Europe is moving a step in advance, that promises to merge the kingdoms into republics, cheering us with bright hopes for the future condition of man as the constituent of democratized institutions, what reactionary steps are witnessed ! What cloud is that which darkens the light of Christianity, and, raven-like, descends to over-canopy the form of Liberty ? What is that like a dark pall seen settling down to wrap its mournful folds about the bright genius of humanity, and shroud it from the sight. Behold it pouring forth torrents of blood, to overwhelm, with black destruction, the fabric of Christianity and Freedom, which has been the proud boast of the nineteenth century. The troops of Austria's Emperor, like famished wolves upon the scent, are hunting down the herds of Austria's people. Throughout Vienna, fair city of the Danube, in all her streets and homes, the horrid butchery has left its mark in heaped up tracks of slaughter, encumbered with the mutilated forms of men, women, and children, flayed, dismembered, their eyes burned in the sockets, and flesh cut piecemeal from the living bodies ! Hundreds of burning houses illuminate the scene, their flames replenished with the dead and living !

Humanity sickens at the sight, and disowns the civilization that marks the epoch.

Who will say that Progress leaps ? Yet Progress does advance along its steady way, and the bloody deluge which flooded the human shambles of Vienna, has watered a soil whence shall spring a plentiful harvest of free institutions. Also, enlightened, Christian, pattern England will yet come up with benighted, barbarous, Mahommedan Turkey, in liberality of religious toleration, in the ameliorative spirit for which humanity and Christianity are piteously beseeching with tremulous knockings at the portals of her proud and hard heart. I believe it, for I have faith in the general march of Progress, the England and Austria of yesterday and to-day to the contrary notwithstanding.

Looking back upon the moral events of the past, we are sensible of a guarantee for a continued advance. We see behind us the attainment of universal suffrage, the organization of popular education, the abolition of imprisonment for debt, of slavery, and of capital punishment. From the time when the Norman, looking upon arms and robbery as the only test of respectability and ground of right, regarded with supreme contempt the sturdy Saxon who toiled for bread, to this day, when the year 1848 is closing upon us, long to be remembered as the year of revolutions and of gold, political and moral progress has made its certain way. Although, like that of the hand of the time-recording clock, its movements may be imperceptible, whenever we look at the hours the ages have marked upon the dial of humanity we may note the advance achieved by progress.

Meek, unpretending Progress ! whose loved and most

successful action is in the daily performance and practice of the simplest duties ; those that, not stretching far away in zealous interference with another's rights, lie nearest, and are all embraced within the few recorded words the Saviour left us. Not in *Icarien* impracticabilities ; not in theories most intricate of brain-racked birth, each grasping with strained effort after metaphisms of clairvoyant or the spiritual school, but in the simple practice of the best known duties, under nature's plainest laws, that govern not too much—in earnest, steady labor in such duty-practice of uprightness and industry, lies the travel on the path of Progress.

What in the language of political economy is called the stationary state, is ever like *to-morrow*, apparently attainable, yet ever in advance ; and as the enjoyments, the physical and moral wealth of the collective world, are greater to-day than yesterday, so do the discoveries and developments constantly taking place in the arcana of physics, together with the spread of education and all free facilities, seem constantly to remove to a greater distance the limit of Industrial Progress.

And in such wise of moral and industrial action, in the meek and industrial progression, we will indulge the hope of a healthful progress through the throwing open of all the avenues of industry, not in a partial, but in a general and comprehensive sense that shall embrace the entire world with all its capacities, physical and moral, both national and individual ; in short, the free acceptance of God's gifts by all the nations of democracies through free exchange. This is a communism we should seek ; where enterprise and industry are untrammelled in the midst of abundant production, and none are paupers who will work in the free and spreading fields of labor for the gaping

markets of the world. This is liberty. This is justice to all ; and justice is an element of Christianity that must play its part in the development of the science of industry, before the rules of that science can work out results that will yield assurance of correctness, on application of the proof of universal brotherhood.

There can never be too much of cheapness for man. His wants grow with that supplies them. As long as men live on earth they will call for more, still more of nourishment from the bosom of the common mother. Transporting ourselves to some far distant period in coming time—Then, with a world sufficiently peopled to develope its varied resources, yet not too densely crowded, when all organisms shall be improved far beyond their present condition ; when each family shall enjoy the various comforts of the table, the elegant garments, the bath, and all the appliances of the wealthy few of this age ; when each individual may exercise a refined taste in daily enjoyment of the concert, and all the works of highest art, and educated mind extends further and wider its dominion over sense and matter, who shall say the end is yet ? Labor, the industrial arts its right hand, and freedom the vital element it breathes, in the plenitude of its power striking out new fields of action, calling to its aid now undiscovered and yet subtler elements, will then develope of earth's known and yet unknown treasures, richer stores : then mould them all to newer forms, more elegant, until the refined and more refined material combines in all its intimate connexion with the immaterial of man's nature, to elevate the human being to a loftier state, where, looking back on this, he will regard it as he views the barbarism of yore.

And this more immaterial part, will it not, with all the

march of intelligence, of science, letters, morals, CHRISTIANITY, have learned to joy in high appreciation of the moral beautiful, and have kept its even pace in the progressive order of the world ? It will—when labor walks the earth, a God in dignity and power ; and every man shall be a sovereign truly in his power and wealth, and one of God's own chosen in knowledge and all moral excellence. Christ furnished us the type of poverty rising to the God in heavenward Ascension ; and we will cherish faith in man, created image of Divinity, advancing ever with the stride of Progress upon this teeming, fruitful footstool !

Is not this meanwhile a pleasant ideal ? And is it not instructive as well ?

LIBRARY  
UNIVERSITY OF  
CALIFORNIA.

## XXII.

### WHAT DUTY PROTECTIVE?—INDIRECT AND DIRECT TAXATION—CONCLUSION.

THE nature of protection, the evil effects attendant upon its adoption or continuance, and the benefits to be derived from its abolition having been developed, we will now inquire *what rates of duty operate practically as protective*. As protection and prohibition curtail importations, it follows that the converse of the proposition is true; that, if the duty curtails importation, it is protective or prohibitive. All duties that are protective are prohibitive, but all that are prohibitive are not protective—only such of them as are laid upon articles that are or can be produced in the country. Importations are regulated by the values abroad and at home. If the cost of the article is less than it will bring in our market, it is imported, because it then pays a profit on the capital employed. The difference, then, between the wholesale market value of an article in the foreign market, with freight added, and its value in ours, is the amount of protection our producers of the same article derive from the duty. It follows from this that, the cost here being enhanced by just the amount of duty, all tariffs are prohibitive, in so far as they raise the cost to consumers, and thus keep commodities above the

reach of numbers, who, at a lower price, would be able to indulge in their use. In so far as those articles were home produced, the duty would be protective, and, on all, more or less prohibitory.

But government must raise a revenue by taxation, either direct or indirect, and hence we come to consider the propriety of collecting it by a discriminative tariff, that shall avoid all prohibition that keeps out whatever articles consumers would take, had they to pay no larger addition to the cost of production or importation than the amount necessary to furnish the revenue. This is what is known as a revenue tariff. As to *incidental* protection, if protection is an evil to be shunned, it must be discarded in all its forms. And if a revenue tariff only is proper, it admits of no incidental effect, as that would just so far diminish its revenue effect.

The other method of raising the revenue, by direct taxation, will likewise prohibit consumers from the enjoyment of all such quantities and qualities of articles as the lessening of their means, by the amount of tax they pay, will keep beyond their reach. In one method they pay the tax by the enhanced price of the article ; in the other, getting the commodity lower, they pay the tax in money saved by purchasing the article at the reduced prices. Which of these two modes of taxation is best ?

*In favor of INDIRECT TAXATION*—It may be said that imposts may be so graduated, as not to cast the burden so unequally as has been alleged by the opponents of indirect taxation. Observing the distinction between articles of luxury, convenience, and necessity, rates might be arranged in a geometrical gradation of perhaps five, fifteen,

and forty-five per cent. ; always with a view to charging a high rate of duty upon all articles used by the rich for mere show, and not necessary to their comfort. The *ad valorem* principle now practised in the United States aids greatly in making such an apportionment justly graduated to the abilities of the classes consuming the commodities. As certain articles of necessity and comfort, as cottons and sugar, are consumed nearly or quite as largely by the poor and those in moderate circumstances as by the rich, it is necessary to discriminate in quality in order to apportion the tax properly. As those with more ability would consume finer qualities of greater value, they would, by paying *ad valorem* rates, contribute in proportion to their ability a larger amount to the revenue. Should it be said that the rich would restrict their consumption of luxuries, and thus escape their portion of contribution to the treasury, it may be answered, that such will not be the case until men and women cease to possess a taste for luxuries, and the emulation shall no longer exist that incessantly urges man to vie with his neighbor in the fineness and splendor of his appointments, personal, household, and other ; not until the imitativeness inherent in his nature shall cease prompting man to gain possession of the same his neighbor enjoys. Those articles whose use is the gratification of vanity will always bear a high tax.

A tax on imports, where, because the duty may be laid on some articles not produced here, or may be less than the difference between the producing cost here and that abroad, there is no total prohibition, nor any protection—if there be protection, the people pay more through the agency of indirect taxation than they can gain off the foreigners—falls partly upon the foreign consumers of our

goods taken in exchange. The diminution in amount of foreign products consumed results in our taking less, and, while the foreigners continue to consume the full amount of ours, in their sending us specie, deranging exchanges. Their products become low there, and ours high here. What they consume of ours is at greater cost. But it is well to remark, that these are temporary and not permanent conditions, as the foreign nations will soon take no more than they can return their products for in exchange, or will impose a retaliatory duty on our products; unless ours were of vital necessity to some one nation, and it kept up the paying to us of a sum of specie drawn from other nations, by a process similar to that by which we drew from it.

It is no inconsiderable objection to direct taxation, that it would involve the necessity for those domiciliary visits of the functionary which are so repugnant to the citizen, who is prone to regard the investigation as an impertinent scrutiny into his private affairs, and which he is likely to consider as scarcely less burdensome than the tax itself.

By a tariff tax the amount is generally paid at the time and in the manner most convenient to the contributor. "It is paid," says Mr. Mill, "at a time when he has, at any rate, a payment to make; it causes, therefore, no additional trouble, nor any inconvenience but what is inseparable from the payment of the amount. He can also, except in the case of very perishable articles, select his own time for laying in a stock of the commodity, and consequently for payment of the tax. The producer or dealer who advances these taxes is, indeed, sometimes subjected to inconvenience: but in the case of imported goods, this inconvenience is reduced to a minimum by what is called the warehousing system." This system is now in successful

operation in this country, and by leaving the duty uncalled for until the period of consumption arrives, it materially mitigates the effect of the tax, and operates to favor the impost form by destroying the obnoxious feature of injury to the commercial community, through the loss of interest on the amount of duty advanced by them to government, formerly, often far in advance of the reimbursement made to them by consumers.

It has been said in favor of indirect taxation, that the people would so sensibly feel the burden when directly imposed as to engender dissatisfaction, that would endanger the stability of the government,—operating perhaps in this manner,—if the system required the States to furnish their several quotas, it might have the disadvantage of causing them to feel so sensibly the payment, that whenever any cause should originate, having a tendency towards nullification, the palpable payment of this contribution for the maintenance of an union, such State might be already dissatisfied with, would be magnified into a grievous burden that under such circumstances would be felt to be too onerous to be borne ; a feeling that would give an impetus to the existing dissatisfaction. Also, if the quota was exacted, or if the direct tax was collected by officers of the general government in the ordinary method of collecting direct taxes, it would be called for at a certain time, and the drain of so large an amount from the people's pockets, to effect at once an engorgement of the federal treasury, would derange the finances of the country. Under impost taxation, on the contrary, the receipts being gradual, no such enormous excesses occur.

*For DIRECT TAXATION*, in objecting to a tariff it may be said that taxes being imposed for the support of go-

vernment, they should, as the only just method, be distinctly and directly levied upon individuals in proportion to their ability to pay, and nothing but the tax be exacted. The assessment of indirect taxes being made upon the importer instead of the consumer, the latter is made to pay a much larger amount than the sum accruing to the revenue. A yard of imported cloth, costing the importer at foreign prices, with freight and charges added, 100 cents, the duty of 30 per cent., paid by him, raises the cost to 130. He sells to the retailer at a profit of 15 per cent.; and the latter, it having cost him \$1,50, sells it to the consumer at an advance of 25 per cent. The latter, therefore, pays \$1,87 for the article. Supposing no duty, the importer selling at 15 per cent. profit, would have received from the retailer \$1,15, who, adding 25 per cent., would have sold to the consumer for \$1,44. By this process the cost of the consumer is increased to 87 cents beyond that to the importer, or 43 cents more than it would be if no duty was imposed,—paid by him that government may collect 30 cents of revenue. The forty-three cents is here prohibitory, and, on home produced articles, protective. Hence it is impossible to avoid these contingencies under a tariff taxation, and, the portion of the tax, which, under supposed non-protection, was seen, on a preceding page, to fall upon foreign consumers, is offset by that borne by the home consumers, and the effect of that vengeful wounding of the nose, is injury to the face.

With regard to taxing articles of mere show extremely high, here the direct possesses an advantage as compared with the indirect; as a large variety of the articles of show, such as jewelry, are of small bulk, and easily smuggled, forcing government, in order to collect any revenue at all from them, to impose a very low rate of

duty, much lower than that laid upon many articles necessary to the comfort of the poorer classes. If imposed directly, a much higher rate, productive of more revenue, and one more consistent with justice and good economy-promoting policy, could be successfully collected. Another objection to the indirect imposition would be the difficulty of avoiding running into protection of the articles, a result which should always be avoided, though less objectionable when only favoring the producers of articles of mere show at the cost of the richer class : cheapness being undesirable when articles are bought with superfluous wealth for the sake of their costliness and variety, as these would cease to be purchased by the rich when they became common, and some other newly rare would be substituted for them.

That the people would be so unwilling to pay a direct tax as to endanger the stability of the government, is an idle fear. Thanks to the nature of our institutions, their effects are such as to do away with the probability of such a result. The effect also of the abolition of tariffs, the free trade effects of increased enjoyments, education, and enlightenment, would be safeguards for the continuance of the system that promoted them. Whenever the States become unwilling to pay openly and honestly for the maintenance of the Union ; when it shall be demonstrated by their acts that they are only to be made to *suffer* its continuance by being led blindfold into making the necessary contributions, unconscious of the cost, then the time will have arrived for a dissolution of the onerous bond ; its continuance would be anti-republican.

The expenses attending the collection of a given amount of revenue are very great. The large establishments of custom houses, hosts of officials, revenue service, &c.

swell the expenses to a large amount. From 1789 to 1847 inclusive, the net amount of duties collected in the United States was \$908,997,223. The expenses of collecting the same at the several collection districts, amounted to \$48,615,965. When to this is added the expense of maintaining the revenue service, an amount that would doubtless be found to be enormous, could we penetrate a certain haziness enveloping the records that should exhibit the cost, it will be concluded that a more economical system of collection could without doubt be devised. Collaterally, the direct system would cause economy in national expenditures, by preventing those measures involving large and unnecessary expenditures, for the means of prosecuting which, when the people felt the application palpably upon their pockets, they would refuse to be taxed. It would thus lessen the probability of a national debt accumulating. In a country possessing a superabundance of capital, a national debt contracted for war or other unproductive expenditures, by borrowing from the capital of the country, withdraws so much of the national means for furnishing employment to productive labor: takes away so much of the fuel that is to feed the current year's production. Government enters the market and gets possession of capital for unproductive use, by outbidding those who would have secured it for productive uses. The rise of interest is a test that the loan was no absorption of an excess of capital that could not have found productive employment. That this effect was not more severely felt, and government was enabled to borrow at a moderate rate of interest in this country when contracting the debt growing out of the recent war with Mexico, is attributable to the fact, that, in consequence of the free trade policy

which went into operation soon after the commencement of the war, and co-operative causes, there was a rapid accumulation and a large influx of capital from abroad. This furnished the supply absorbed by the loan, without encroaching so largely upon the demand for productive investment as to raise the rate of interest.

Nevertheless, the plan adopted of meeting the war expenses by a loan has entailed upon the people of this country an expenditure equal to quadruple the amount of the loan. The act of borrowing, which withdrew the sum from the productive channels of investment, into which it would, under all the favoring circumstances above named as augmenting capital, have sought and found employment at a lower rate of interest, cost labor the amount of such sum, under the process just before stated. The loss was then sustained by the labor of those years in which the expenditure was incurred, and the money borrowed. The conditions of the loan, as of all loans, requiring future payment of the sum, whenever pay day comes, that amount will have to be abstracted from the earnings of the current labor of the year of payment. It is then drawn from labor by taxes, going into the general treasury. Labor thus sustains double the expenditure, and, in addition, pays in taxes the annually compounding interest; and also bears the loss growing out of the non-existence of accumulating capital of savings which would have productively employed labor; and this may be estimated at as much as the interest. Thus if \$66,000,000 of debt be contracted for twenty years, the annual interest paid in the form of taxes by labor is at six per cent. \$3,960,000; in twenty years at the simple rate the interest amounts to \$79,200,000, but at the compounded rate which labor sustains it amounts to

**\$145,670,868.** As to the further loss:—The sixty-six millions, had it not been originally sunk in unproductive wars, not been borrowed by government, but employed productively by the people, would have begotten a continually reproduced capital of progressively enlarging accumulations, which would have obtained from the original action of productive labor, and would have been, annually compounding like the interest, employed each year in new production. Thus, if \$66,000,000 effect annually 10 per cent. of accumulated addition to their amount through the medium of the production of a much greater amount of commodities, the addition to labor employing capital is \$6,600,000 a year, or \$132,000,000 in twenty years; or, compounded annually, it is \$444,014,926. The gain effected by the employment in productive uses of the annually disbursed and distributed sums of interest, may be said to be a counter-process going on to counterbalance this in part, and perhaps entirely; the rate of 10 per cent. above estimated being merely assumed. Were this the case, the two costs, original and ultimate, of sixty-six millions each, and the much larger one of interest amounting to \$145,670,868 still stand as borne by labor.

The future payment of the original loan when disbursed to capitalists from the public treasury, is redistributed, much of it probably, like the payments of interest, going into channels of productive investment. But so far as it does, there is no counterbalancing of the *effect*, as felt by labor, of the original extraction of capital from protective labor-employing investment that took place when the capital was borrowed by government. The capital of a country being annually consumed and renewed, every abstraction of a portion which would, during that year,

have been consumed by labor, is a hardship sensibly felt by such labor as for the time is employed in consuming and producing. A subsequent distribution of capital, supposing all of it to be turned into productive channels, is but a restoring of the original abstraction, and does not prevent the effects of the intermediate blows that have been dealt upon labor from having been felt as they inflicted their proper wounds. The cost to labor, occasioned by borrowing, instead of meeting the expenditure by a tax imposed at the time of incurring the expense, leaving out the ten per cent. loss from non-continuances, is still equal to twice the full amount of the loan, and the sum total of compounded interest. That is to say, if paid at the time of incurring the expense, the cost to labor would have been \$66,000,000 ; but in consequence of the postponement it will be \$277,670,868. Therefore, we learn that it is better for labor that war expenditures be met by a tax levied at the time they are incurred, as by this method the cost of the war is paid but once, and not quadruplicated, as under the borrowing system.

No objection grounded upon an assumed inability of the country to pay the expenses at the time of their being incurred, could lie against the method. The bulk of a country's means are reproduced annually, and consumed the succeeding year in turn. Of the 2000 millions value of products annually produced in the United States, the whole is consumed the following year in reproduction. The more durable productions, taking the form of fixed capital in buildings, bridges, roads, &c., only are to be excepted from the general rule ; and most of these wear out in a few years. It would not be difficult for 23 millions of people, from their consumption of nearly or quite

2000 millions, or eighty-seven dollars a head, to deduct, in the year of incurring an expenditure of 66 millions, the amount of such expenditure, at the average rate of three dollars per head. A modicum of abstinence from consumption would effect it; the rate being but a fraction over 3 per cent. of a year's production, and expiring with the year. As much as this sum is annually paid by consumption for protection. It is just that the generation which incurs expenses should pay the cost. We may choose to consider that they were incurred in acquiring that which is to benefit succeeding generations, and therefore the successors should pay a portion of the cost. But it does not follow that the unnecessary extravagance should be practised, by which both the present and future generations should pay each of them double the total cost. If the present does not, the expense, as has been seen, must devolve upon both. Those incurring the expenditure *cannot* avoid the cost, and, by not paying, it is repeated to their successors, with the weighty addition of interest.

What has been stated is based upon the supposition that in both cases of immediate and future payment, the amount is paid by labor. In the case of deferred payment, the quadrupled amount *must* be, with the exception of a deduction from the first sixty-six millions paid, of so much of it as was taken by foreign capital. As this was not drawn from the capital at home, which was required for productive investment, so far labor escapes the burden. But this portion of the loan was only a small part of the entire amount, and therefore the cost to labor is not materially lessened. Immediate payment not only eventuates diminution in the sum paid, but there is a method of relieving labor almost entirely from the payment

of the sixty-six millions, and casting it upon unproductive capital. A direct tax imposed, during the years of expenditure, upon articles of mere luxury and show, leaving untouched the productive capital that employs labor, could have judiciously effected the object. Labor will now have to sustain, as the effect of the deferred payment, a loss of \$277,670,868 ; and, in addition, as an effect of collecting the principal and simple interest of the loan, amounting to \$145,200,000, by indirect taxation,—by which means of collection every 30 cents collected by government costs the consumer, by estimate, 43 cents—the sum of \$62,920,000. Deferred payment and indirect taxation, combined, cast upon labor a burden of \$340,590,868. This is subject to a reduction for the amount of impost collected on articles of show and luxury ; but this reduction is more than counterbalanced by the amount paid for protection under the impost system.

With such ease and at a stealthy pace, scarcely perceptible to the most careful watcher, may a national debt accumulate and cast its heavy weight upon the bent back of toiling labor. Each year of its existence increases at a compound rate the amount of the tax. When such an enormous result of injustice may grow out of the temporary contraction, during two years' expenditure, of the moderate debt of 66 millions, what would be the effect of contracting a *permanent* debt of 200 to 500 millions ? Its prophetic history is written in the past of England's misery, and France's destitution. Economy for this country, that shall prevent the necessity for extending the field of taxation till it reaches the consumption of labor, lies in open and *direct taxation*, behind which *no protection* and *no indebtedness* may lurk.

It is to be remarked in this place, that, under the institutions and the democratized educational influences prevailing and progressively improving in this country with the march of political and economic science, the bulk of capital must continue to be employed in productive channels for a longer period than the simple facts of undeveloped natural advantages and scarcity of capital would of themselves warrant.

With reference to the diminished probability of directly collecting money for war measures, there is a countervailing argument that, although increased taxation is necessary for war expenditures, yet for all the great measures of public reform designed to improve the condition of the people, whether educational or sanitary, whether they embrace improvements in prison discipline, or the emancipation of slaves, an increase of taxation is likewise necessary, and hence the tax should be imposed in the indirect form, in which it is most extractable, for the accomplishment of these improvements. This reasoning, however, has no force when applied to this country, where all these measures are, or should be, undertaken and performed by the local governments of the states, wherein the system of taxation is already direct.

It may be adduced as not unworthy of consideration in favor of direct taxation, that, if adopted, an annoying bone of contention that, as long as tariffs exist, will agitate and excite the legislative councils, may be finally buried, and cease to divert congressional deliberations from topics necessary to the welfare of the country at large. Not until then will special interests cease their persevering efforts to mould the political action of the country into measures designed to build up the fortunes of a class at the expense of consumers at large.

It may be said that the establishment of exactly discriminating duties is impossible. The cost of imports depends upon two variables, the quantity of commodities exchanged for them, and the cost of producing those commodities. The cost of production varying constantly with the enhanced or diminished value of capital in the several producing countries in different years, with the cost of living, with the various and frequent improvements in machinery, with the experience of producers ; and quantities, prices, and demand being affected by currency derangements, political disturbances, &c., variations will frequently take place in the line of demarcation between the protection and revenue effects of tariffs. Repeated investigations would be necessary as to the relative cost of production abroad and at home, and a constant chase would needs be kept up after the mercury rising and falling in the industrial barometer. A variety of causes would complicate the embarrassments, and render it difficult to dodge the protection. A moment's reflection shows the difficulty lawgivers must encounter in regulating tariffs. Satisfied with the result of one inquiry, they would scarcely have congratulated themselves upon the discovery of a rate which produced the necessary revenue without protecting than, presto ! Yankee ingenuity outstrips John Bull's sturdy stride, and lo ! they find the tariff planted on the platform of protection ; importations fall off, and the revenue diminishes. Striving to retrieve this backward step (of tariff taxation, not labor, that has taken a mighty stride forward), they lower the duty to take off the protection, when, with the increased importations caused by this comparative free trade, all goes well for a time, until the capital and labor that have again returned to their natural channels under this beneficial absence of protection advance beyond the

line in company with what had continued in the previously protected channels, and a new revision of the tariff is rendered necessary. The truth is, this country progresses too rapidly for tariffs—naught but entire free trade leaves sufficient scope for its mighty energies. How little do we need protection !

IN SUMMING UP, we observe, that it is to consumption we must always resort. Whatever its form, the tax must always fall upon the consumers, upon productive or unproductive consumption. If it be levied directly upon real property, the man of wealth owning houses raises their rents ; the butcher, who must be a tenant if not a landlord, charges the shoemaker more, by the amount of the tax, for the meat he eats, who, in turn, must get more for his shoes, and so around the circle of consumption. The object to be sought then is, so to simplify the method of collection, as to reduce its incidental expenses to the lowest possible amount consistent with security ; so to impose it as not to impede production ; and to avoid all collateral payment of bonuses to producers in order to secure their success over competition ; and also, to avoid the collateral payment of profits upon the original tax collected for government. This last must ever be the case under indirect taxation, as we have seen it is in the illustration of the enhanced cost of the consumer's cloth, by addition of the per centage of profit to the importer on the amount of duty he pays. The bonus is paid under the form of protection ; the expense of collecting an indirect tax we know to be greater than that of a direct tax need be ; and when imposed upon the articles consumed by laborers it checks production—many articles of mere show and luxury consumed unproductively, are more easily reached by a direct than by an indirect tax.

The tariff system now exists as our fiscal lever, and will for some time longer; it is, therefore, for those who are not disposed to favor an entire change from this system to one of direct taxation, to exert themselves, and lop off its hideous excrescences, a work which has been efficiently and well begun by the tariff of 1846, and leave it in a state as perfect as it is capable of assuming. Granted! It is evident that the duty imposed on many articles by our tariff is too high. Take off a certain amount of rate, and if the importations increase sufficiently to make up the same amount of revenue as was collected under the higher rate of duties, this much of the rate, if they are home produced, was protective. Therefore, if the protection is taken off, the revenue will not be diminished, and, as we have before seen, increased quantities of commodities are brought within reach of consumers.

If, upon the rate being lowered, importations are not increased, the previous rate was not protective nor prohibitive. But this is never the case, because the lower the rate, the less the cost, the greater the consumption, until reaching that point where we would cease to have commodities to exchange for the foreign. In other words, when each individual of the consumers is not able to buy more of the articles. And this point under diminishing duties is not reached, because with increase of abundance comes ever increase of production and riches, and ability to buy for consumption.

The dilemma then constantly presents itself of the impossibility of keeping in advance of protection and prohibition, they following close upon the heels of consumption and production. Prohibition cannot be avoided; and, under the variables affecting production, how much of it may be protective is a nice question, one impossible to

determine with accuracy. The old difficulty of finding that time of demarcation at which to stop, attaches itself inseparably to the tariff. Rather than endanger the consuming interests, by accidentally keeping out of their reach any commodities that might otherwise fall within it, is it not better to avoid a system of taxation that is so fraught with the danger of these accidents ?

Is not the system of a revenue tariff, with *incidental* or *accidental* protection, delusive and dangerous ? A revenue tariff is the *Scylla* and *Charybdis* system of taxation.

A *just* taxation is one that shall take nothing from the people (except the necessary expense of economical collection) but what goes into the treasury for the expenses of that government which guards them ; and is one that debars them from no enjoyment that they might possess, did they simply pay directly to government the net amount of its just demand. Is it not then a rational conclusion that a just apportionment of taxation and a tariff tax are incompatible ?

The direct system is most in accordance with the spirit of our institutions. It has been said that "the best government is that which governs the least ;" it may be added that *the best protection is that which restricts the least*. Upon this subject Dr. Franklin says :—"Perhaps in general it would be better if government meddled no further with trade than to protect it, and let it take its course. Most of the statutes, acts, edicts, arrets, and placards of parliaments, princes, and states, for regulating, directing, or restraining of trade, have, we think, been either political blunders, or jobs obtained by artful men for private advantage, under pretence of public good. When Colbert assembled some wise old merchants of France, and desired

their advice and opinion how he could serve and promote commerce ; their answer, after consultation, was in three words only, '*Laissez nous faire.*' It is said by a very solid writer of the same nation, that he is well advanced in the science of politics who knows the full force of that maxim, *pas trop gouverner*, which perhaps would be of more use when applied to trade than in any other public concern. It were, therefore, to be wished that commerce were as free between all the nations of the world as between the several counties of England. So would all, by mutual communication, obtain more enjoyment. Those counties do not ruin each other by trade, neither would the nations." When at this day we look at the operation of free trade between the several states of our Union, so happy in its effects, we are disposed to extend and apply the remark of Dr. Franklin, and wish that the taxation for the support of the confederation were levied like that for sustaining the governments of the several states ; and that we realized the consequent result of a commerce as free between the confederated Union and the nations of the world as that between the several states ; and no indirect system of taxation existed, indirectly to impose sumptuary laws upon the masses, in opposition to the *just* method of taxation.

In this case, however, though in a minor degree, as in that of slavery—which could not be suddenly rent away, and slaves be raised into a condition of self-relying liberty, without injustice, nor without injuring those it was designed to benefit—changes should be gradual, lest the *bouleversement* alarm the timid and injure vested interests. Therefore, a change securing the abolition of the most salient protective features of the present tariff, as this has

done of the preceding, is all it is proper to accomplish at the next effort. There are possibly a limited number of interests adapted by nature to the circumstances of the country, yet so accustomed to past protection that the sudden and entire removal of that now existing would cause bankruptcies ; and this requires that the process be one, extending over a period of perhaps twenty years, that enables them to gather strength and hardihood under gradually falling tariffs.

A kindred measure with free exchange, and directly promoting equalization and independence ; that of government bestowing quarter sections of its land upon actual cultivators "without money and without price," furnishing every citizen with what is then permitted to be an *exempted homestead*, and refraining from sale and patent of more than one section to an individual, is not subject to this necessity for delay, but calls for instant adoption.

Protection removed, and the tariff changed to direct taxation, the day could not be far distant when consumption's gain would have amounted to a sufficiency for paying the cost of removing existing restriction upon the freedom of the negro. Then, whenever—the change being felt by them to be compatible with their interests, and called for by the state of local public sentiment—the slave states should respectively or collectively express their voluntary determination to begin the work of emancipation and colonization, those, whose radical views would now urge from pulpit and from stump immediate loosening of the hold a healthful conservatism maintains, or their successors, would have an opportunity of responding to the direct call of taxation for the means wherewith the free states, through their separate independent action, should

aid in a great work that is to redound to the glory of the nation at large. Then, if their precept endured the cost of practice, and they failed not in the work, the much desired end would be rightfully and cheaply attained ; and the twentieth century, dawning upon the well established practice of **FREE EXCHANGE** enjoyed by a population of 100,000,000, spreading from Canada to Cuba, before the close, may signalize its fitting union with **FREE LABOR** and **FREE SOIL**.

THE END.









ITY OF CALIFORNIA



ITY OF CALIFORNIA



LIBRARY OF THE UNIVERSITY OF CALIFORNIA

LIBRARY OF THE UNIVERSITY

LIBRARY OF THE UNIVERSITY OF CALIFORNIA

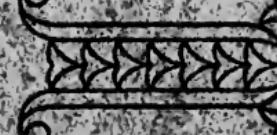
LIBRARY OF THE UNIVERSITY

LIBRARY OF THE UNIVERSITY

LIBRARY OF THE UNIVERSITY

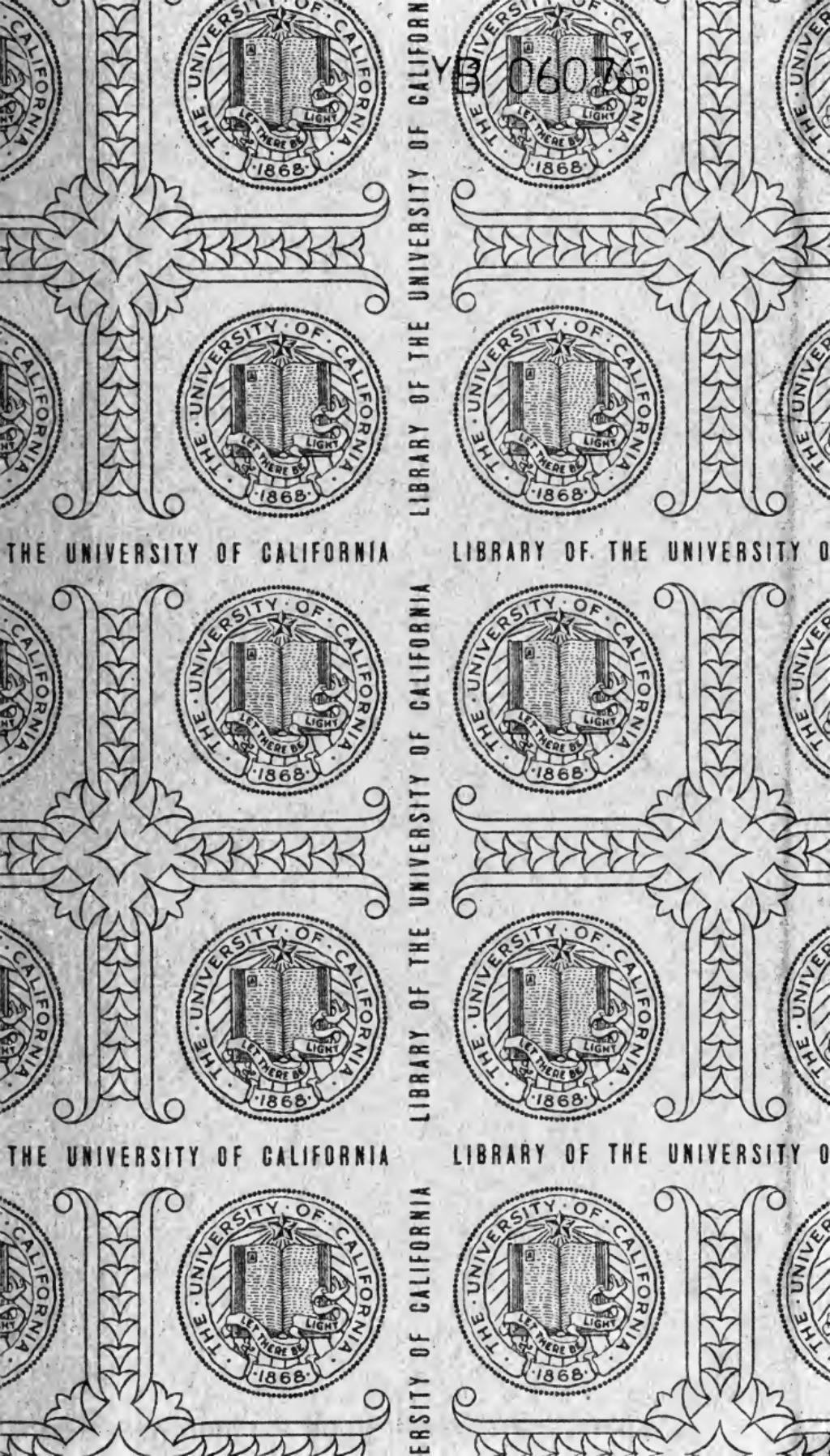


LIBRARY OF THE UNIVERSITY



LIBRARY OF THE UNIVERSITY





THE UNIVERSITY OF CALIFORNIA

LIBRARY OF THE UNIVERSITY OF CALIFORNIA



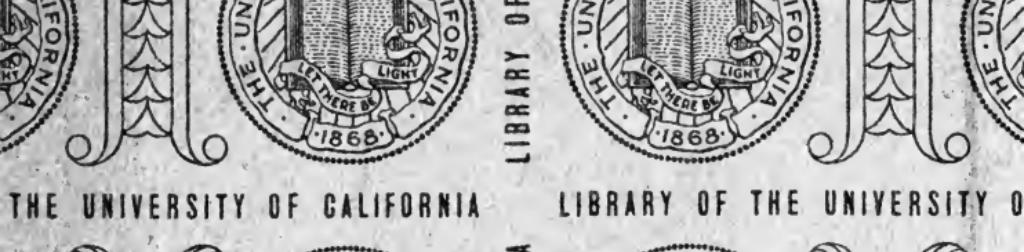
LIBRARY OF THE UNIVERSITY OF CALIFORNIA



LIBRARY OF THE UNIVERSITY OF CALIFORNIA



LIBRARY OF THE UNIVERSITY OF CALIFORNIA



LIBRARY OF THE UNIVERSITY OF CALIFORNIA



LIBRARY OF THE UNIVERSITY OF CALIFORNIA

